CREDIT AND DEBT IN INDONESIA, 860-1930

From Peonage to Pawnshop, from Kongsi to Cooperative

EDITED BY DAVID HENLEY & PETER BOOMGAARD

A MODERN ECONOMIC HISTORY OF SOUTHEAST ASIA

KITLV

Koninklijk Instituut voor Taal-, Land- en Volkenkunde
Royal Netherlands Institute of Southeast Asian and Caribbean Studies

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Preface

This book has its origins in a KITLV (Royal Netherlands Institute of Southeast Asian and Caribbean Studies) research project entitled "Credit, Risk, and the Economy of Debt: Indonesian Trajectories" (CREDIT), in which we have been the principal participants, and in a discussion panel on "Credit and Debt in Southeast Asia, Past and Present", which we organized at the Fourth Conference of the European Association of Southeast Asian Studies (EUROSEAS) in Paris in September 2004. Besides six pieces which — in most cases after much revision — became chapters included here, the Paris panel also included papers by Andi Faisal Bakti, Greg Bankoff, Pramuan Bunkanwanicha, Caleb Kwong, Martin Ramstedt, and Willem Wolters. We remain grateful to these scholars for their input and insights, some of which are indirectly reflected in the present volume. Our thanks go also to Anne Booth, Thomas Lindblad, and other members of the panel audience for their critical and constructive comments. Two of our eight chapters, those by Jan Wisseman Christie and Heather Sutherland, did not originate in Paris, but were written after the conference at our request. We are particularly grateful to these contributors, without whom the range of topics and periods covered would have been much less adequate. In addition we would like to thank Rosemary Robson, for improving the English in some of the pieces; the staff of the KITLV, for their always cheerful assistance when we were in search of publications and illustrations; and Triena Ong of ISEAS Publishing, for her help, and forbearance, during the reviewing and editing process.

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He has written on diverse aspects of Indonesian history. Among his publications are *Fertility, Food and Fever: Population, Economy and Environment in North and Central Sulawesi, 1600–1930* (2005) and (as editor and contributor) *The Revival of Tradition in Indonesian Politics: The Deployment of Adat from Colonialism to Indigenism* (2007).

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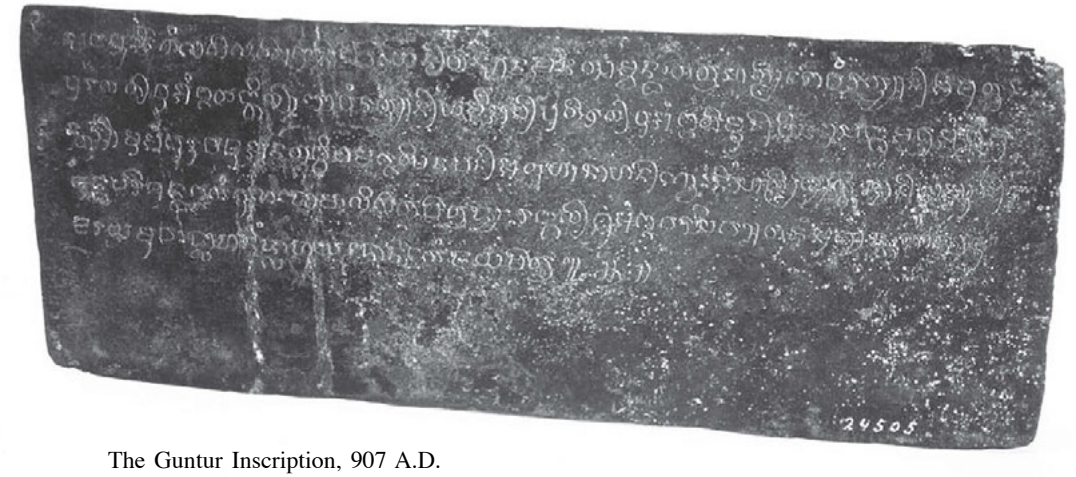
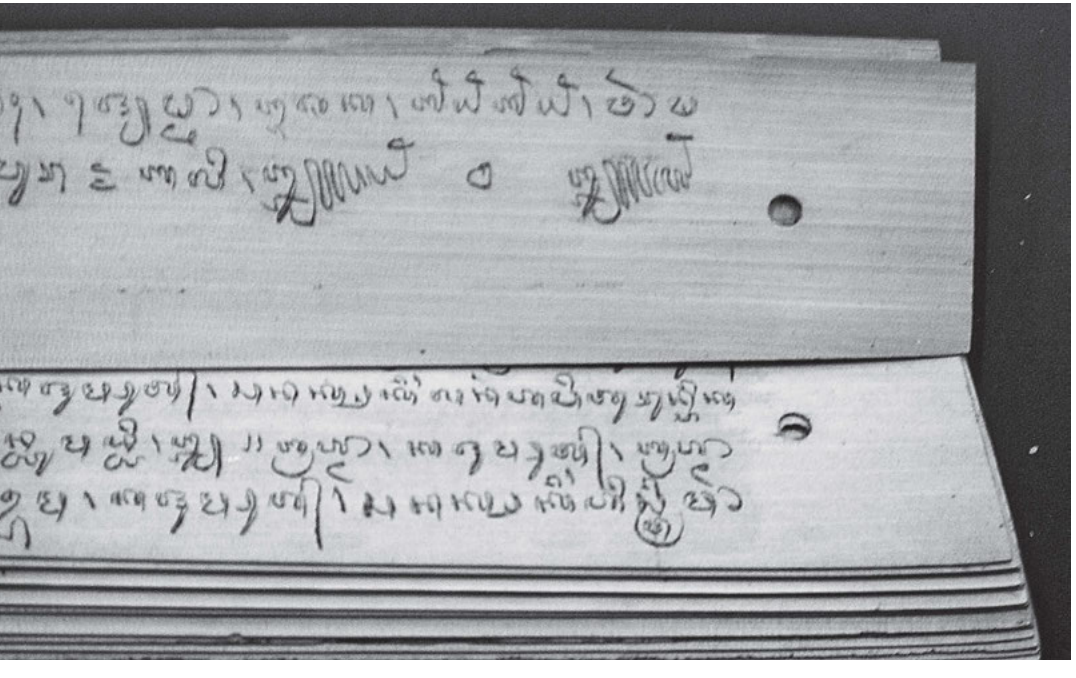
A Comparison Between Java and the Netherlands at the Beginning of the 19th Century", *Explorations in Economic History* 40 (2003): 1–23; and "On the Efficiency of Markets for Agricultural Products: Rice Prices and Capital Markets in Java, 1823–1853", *Journal of Economic History* 64 (2004): 1028–55.

Chettiar Moneylender of the Straits Settlements (Malaya), circa 1890
Source: KITLV Image Collection, 6539



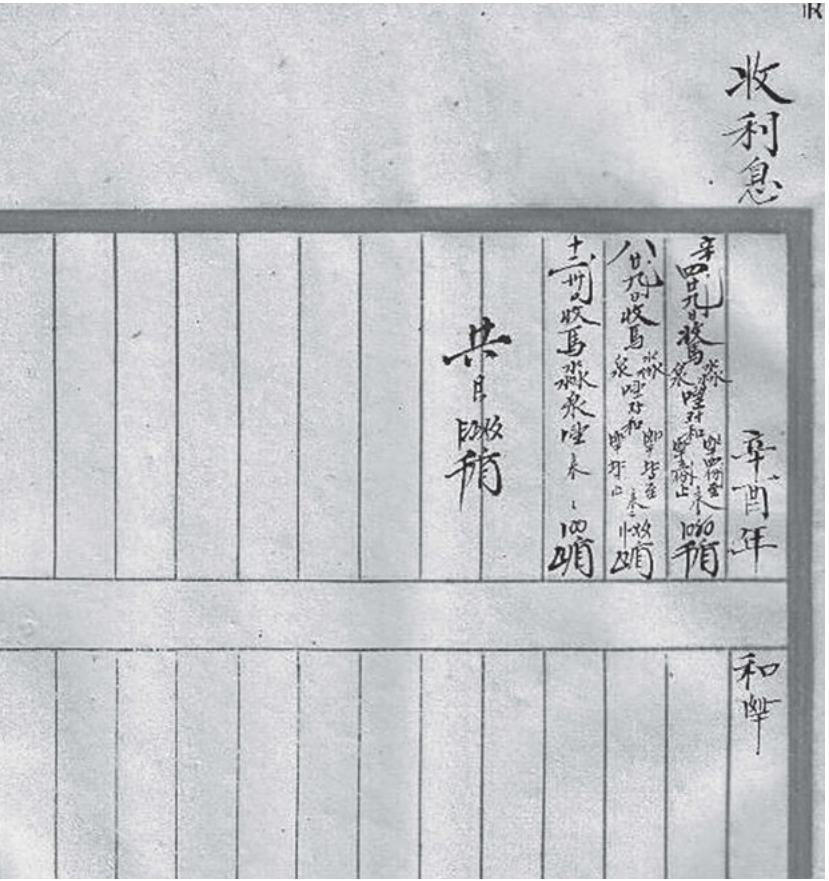
The Guntur Inscription, 907 A.D.
Source: Collectie Wereldmuseum Rotterdam, no. 24505

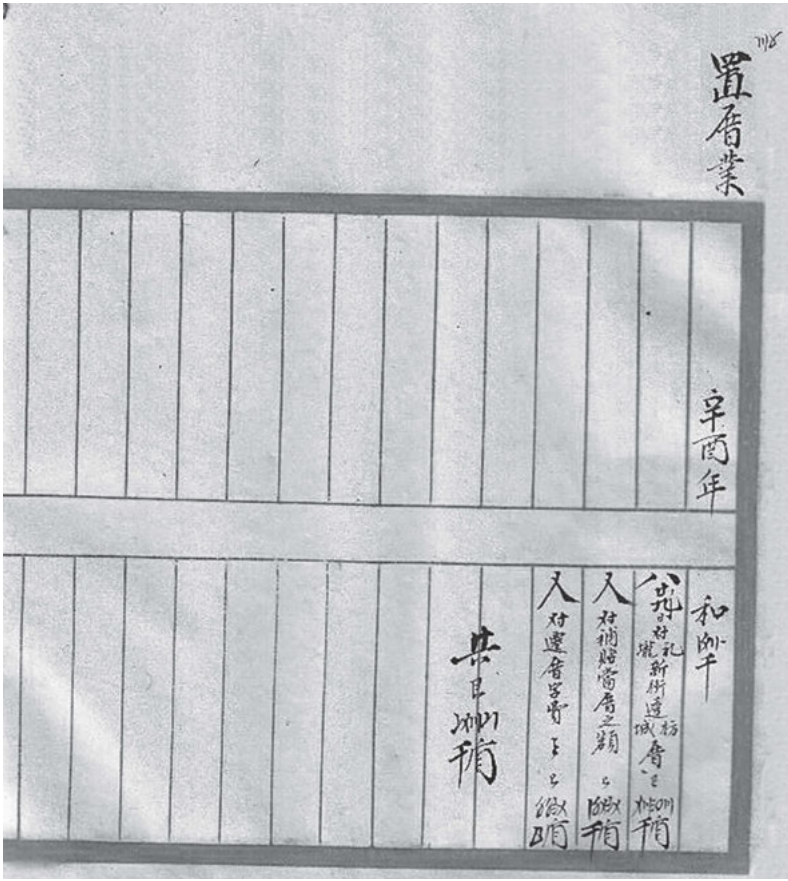


Last pages of a palm leaf manuscript — a so-called *lontar* — of the early sixteenth-century Javanese law text *Agama*, written in Balinese script and dating from before 1876.
Source: Leiden University Library, Oriental Manuscripts Collection LOr 2215

(Top) Chinese Temple in Makassar: Klenteng Ibu Agung Bahari (Thian Ho Kung, Tian Hou Gong). Built in the early eighteenth century, dedicated to the Fujian Protectoress of Seafarers. This photo is from circa 1900.
Source: KITLV Image Collection, 7556
(Bottom) Late Eighteenth-Century House in Makassar, photographed circa 1920
Source: KITLV Image Collection, 9932

Makassar in 1750
Source: Sketch by J.M. Aubert in the Rijksmuseum, Amsterdam, inventory no. RP–T–00–3234





Semarang Tjie Lam Tjay Account Book, 1921, pages 24 and 32, recording credit transactions of Be Biauw Tjoan and Be Biauw Ong
Source: Photographs taken by Kwee Hui Kian

Chinese Quarter of Surabaya with Dutch Resident's Office in the Background, circa 1900
Source: KITLV Image Collection, 19186

Chineesche Kamp (Chinese Quarter), Surabaya, circa 1898
Source: KITLV Image Collection, 6412

Chinese Shop Houses in Surabaya, circa 1880
Source: KITLV Image Collection, 37 B–413

1
Credit and Debt in Indonesian History: An Introduction

David Henley

Credit and debt are increasingly important themes in social history. Concerns of all times and places, they begin with the most traditional and universal of all economic institutions, the gift. A gift, as Marcel Mauss (1954, pp. 35–36) pointed out in his famous essay on the subject, necessarily implies credit because it creates an obligation to repay while at the same time making it socially unacceptable to repay immediately. The interest-bearing loan, too, is a very ancient institution. The Mesopotamian legal code of Hammurabi, inscribed in a stone stele thirty-eight centuries old, already specifies maximum permissible interest rates for loans in grain and silver, and comes to the aid of peasant debtors by exempting them from the obligation to repay their creditors in years of drought or flooding (Homer 1963, pp. 26–27). The potential for accident and abuse that is inherent in credit, and especially the scope it may offer for profiting from the misfortunes of debtors, means that it has always drawn the attention of moralists and theologians as well as legislators. Even in secular and scientific contexts, discussions of credit and debt today continue to be informed by concepts of usury and prodigality rooted in religious and ethical teachings.

Another perennial source of interest in the topic of debt is the dramatic ambivalence of the phenomenon itself, as symbolized by its eerily antithetical synonyms: *credit*, indicating trust, approval, and empowerment, and *debt*, indicating obligation, constraint, and danger. Debt is, as Charles Malamoud (1988) evocatively puts it, *lien de vie, noeud mortel* — at once a lifeline and a hanging noose. Throughout history it has been both a valued resource and a feared encumbrance, not only for the poor in times of absolute need, but also for the rich and powerful in times when preserving their privileges

demanded a financial gamble. In the Middle Ages, kings of England pawned their own crowns for ready cash when funds were low (Barty-King 1997, p. 11). Credit, in history perhaps even more than in the present, was also the life blood of trade, allowing commerce at crucial junctures to grow beyond the availability of coinage and precious metals. Money itself, according to one influential theory, actually has its origins in trade credit, which it evolved to embody in an impersonal, transferable form (Gardiner 2004).

The reverse side of this coin, if the pun can be excused, is the periodic contraction or collapse of commerce when too much credit has been extended and too many debts created. While over-optimistic borrowing is obviously not the only cause of economic crises, the Wall Street Crash of 1929, the Asian financial crisis of 1997, and the recent mortgage crisis in the United States are all illustrations of the principle that debt can be as dangerous for businesses and nations as it is for individuals. So too, in a different way, is the chronic debt crisis into which many African countries descended in the 1970s (Nafziger 1993). A specifically contemporary reason for academic interest in credit and debt lies in current popular concern with the growing scale of (private and public) indebtedness in the United States and other Western countries, as dramatized in books with titles such as *Credit Card Nation* (Manning 2000) and *Running On Empty* (Peterson 2004). Some of the recent historiography of consumer debt in the West is inspired explicitly by this sort of concern, which it concludes either by reinforcing (Barty-King 1997; Williams 2004) or by rejecting as exaggerated (Gelpi and Julien-Labruyère 2000).

Perhaps not coincidentally, the last few years have also seen a spate of more purely academic studies on the social history of credit and debt in European contexts, from the Middle Ages (Schofield and Meyhew 2002) through the early modern period (Muldrew 1998; Smail 2003, 2005) to more recent times (Finn 2003). The emphasis in these studies is on changing cultural and ethical attitudes to borrowing and lending, and on how such attitudes affected the availability and uses of credit. In relation to the world outside Europe, by comparison, there is little comparable literature. The latest edition (Homer and Sylla 2005) of Sidney Homer's classic *History of Interest Rates* (1963), still a key compendium of sociological as well as statistical data on credit in history, includes scarcely more information than the first edition regarding the developing countries. Falola and Lovejoy (1994) have edited a collection on debt bondage in Africa, and two available books on women and credit in history also have a partly African focus (Jordan 1993; Lemire, Pearson, and Campbell 2001). For

China and Japan there is the collection edited by Malamoud (1988) on cultural representations of debt, and for India, that edited by Bagchi (2002) on money and credit in Indian history. For Southeast Asia, the present volume is the first of its kind. This is surprising given that in that part of the world, even more than elsewhere, credit and debt are topics of particular historical importance.

Debt, Dependency, and Power

In Indonesia, and elsewhere in Southeast Asia, debt long played a central role in the maintenance of social and political order. Although the societies of precolonial Southeast Asia were complex, hierarchical, and in many cases encompassed large areas and populations, they featured neither the elaborate system of hereditary castes which underpinned Indian civilization, nor the strong bureaucratic state, cohesive patrilineal clans, and ethic of filial piety which gave China its unity and stability. Instead, social integration and political legitimation in Southeast Asia rested to a large extent on obligations and dependencies created by various kinds of debt: debt to kinsmen, debt to neighbours, and above all, debt to superiors.

The importance of debt to the traditional social order in this region is illustrated by the fact that surviving precolonial legal codes and documents from diverse parts of Southeast Asia are rich in stipulations relating to credit, interest, and debt bondage. Some of the earliest Javanese inscriptions, for example, record debts and debt settlements, and the oldest surviving written document from the Philippines, a copper plate inscription from the year 900, is a certificate of debt cancellation (Christie, this volume, Chapter 2). When Southeast Asian societies begin to come into clearer view in the historical sources as a result of the arrival of Europeans six centuries later, the same emphasis on debt is immediately evident. W.H. Scott (1994, p. 135), in his synthesis of the best early European descriptions — Catholic missionary accounts of the sixteenth-century Philippines — describes the fabric of precolonial Filipino society as one "woven of debt and dependence".

In the twentieth century, anthropologists studying tribal societies in the more remote parts of Southeast Asia continued to observe the same pattern. Edmund Leach (1954, p. 141), on the basis of fieldwork in the 1930s and 1940s among the Kachin of highland Burma, put it strikingly: "When a Kachin talks about the 'debts' which he owes and which are due to himself, he is talking about what an anthropologist means by 'social structure'."

A more recent anthropological study from Nias agrees that "Niasans, like Leach's Kachin, tend to characterize social relations in terms of debt" and that even "relationships which are basic to human life, such as that of an infant and its mother, are conceived in some contexts as incurring debt" (Beatty 1992, p. 183). In urban contexts too, it has sometimes been argued, economic relations between children and parents in Malay and Indonesian families differ from their counterparts among the ethnic Chinese population group in that these relationships in the Malay case tend to be mediated by, and conceived in terms of, gifts and debts rather than obedience and solidarity (Li 1989, pp. 41–74, 156–62). The affective importance of debt in Indonesian cultures is reflected in the emotional resonance of the term *hutang budi* and its even more evocative Tagalog equivalent *utang na loob*, a "deep" or "inner" debt of gratitude (Kaut 1961).

In the past, one particularly important manifestation of the social importance of debt was debt bondage or debt slavery. In most precolonial Southeast Asian societies, at least outside the domains of the major states, a considerable proportion of the population was in some form of slavery — in Sulawesi, for instance, typically around one third (Henley 2005, pp. 107–10). Anthony Reid (1983, p. 8) describes traditional slavery in Southeast Asia as a system based on obligation rather than compulsion, and comments: "If we seek a single origin for this system of obligation, it appears to be debt." Even the enslavement of criminals and prisoners of war was apparently conceived in terms of debt (Reid 1988–93, vol. 2, p. 131). The most common words for "slave" in the Philippines, *alipin* and *oripun*, literally mean "one who has been given life", and can be interpreted as indicating the debt owed by slaves to those who spared them after they had forfeited their right to live (W.H. Scott 1994, p. 133).

More often, the enslaving debt arose from direct economic "assistance" provided by a prosperous individual to a needy borrower who, if his debt exceeded the value of his life, became the property of his creditor. Such debts, if not redeemed, were passed on from parents to their children, who then became hereditary slaves (Kruyt 1911, p. 69). The directness of this link between economic debt and slavery appears to be specific to Southeast Asia. In other parts of the world where debt has been a common route into servitude, such as Sub-Saharan Africa, there usually seems to have been a clearer distinction between slavery on the one hand, and debt bondage or "pawnship" on the other (Falola and Lovejoy 1994, pp. 13–15).

In Indonesia, slavery was not the only type of hierarchical relationship to be generated or underpinned by debt. The same was often true in some degree of political leadership in general. Power holders of diverse descriptions used monopoly trade goods or stockpiled food reserves to put others in their debt, and thereby to accumulate further wealth and power. In Manado (Sulawesi) at the beginning of the nineteenth century, according to a contemporary Dutch account, "at least nine tenths of the natives" were "in debt to one or another of their chiefs" (Henley 2005, p. 34).

There is another respect, too, in which credit and debt were involved in the process of state formation. Among the economic benefits of centralized government, other things being equal, are reduced interest rates. In the seventeenth century the lowest recorded commercial interest rates in Southeast Asia were found in the areas under direct Dutch control (Boomgaard 1996, p. 501), and John Crawfurd (1820, vol. 3, p. 143) observed at the beginning of the nineteenth century that interest rates were "greatly reduced from the confidence and security which any form of European government, however imperfect, naturally confers". In part this was simply a matter of security of persons and property: war, political instability, and unpredictable fiscal demands had been major sources of economic risk in Southeast Asia under precolonial conditions (Reid 1988–93, vol. 2, p. 109). Legal enforcement of credit contracts, however, was also significant. In the eighteenth century, Indonesian and Chinese traders were already making use of Dutch (VOC) courts and law for resolving trade disputes and recovering debts (Anderson Wellen and Sutherland, this volume, Chapters 4 and 5).

Indigenous polities, too, were involved in the enforcement of commercial contracts. According to one nineteenth-century source, the "gifts" which the captains of visiting trading vessels presented to the highest royal official in a Sulawesi harbour settlement were given "less as anchorage fees than with the purpose of securing his assistance later with the collection of outstanding debts" (De Clercq 1883, p. 118). Political leaders, in other words, justified the costs which they imposed on foreign traders partly by using their power and influence to help guarantee (unwritten) contracts with local trading partners — an important service given that most commerce, as in other underdeveloped economies, was based on advance payments on goods to be delivered at a later date (Reid 1988–93, vol. 2, p. 108). Small indigenous states like those of precolonial Sulawesi, ruled by chiefly oligarchies devoid of bureaucratic specialization, were already "market-

supporting institutions", serving to reduce the risks involved in extending credit (Greif 2000, 2005).

The well known association between commerce and state formation in Southeast Asian history (Christie 1995; Hall 1985) is often interpreted primarily in terms of the opportunities for (more or less parasitic) taxation which concentrations of trade create. But there is some anthropological evidence, notably from upland Luzon in the Philippines (Barton 1949, pp. 174–208), to support a converse (but complementary) interpretation: that the demand from traders and their customers for institutions to reduce the risks of economic exchange, both in general terms by guaranteeing peace and order, and in specific terms by facilitating the collection of debts, was itself one of the reasons why incipient political centralization took place.

Debt, Culture, and Poverty

One reason why it was easy to fall into debt bondage in the past, and difficult to escape from it, was that interest rates on loans — whether in cash or in kind — were often high. Another is that much of the population was poor, and very vulnerable to both natural and man-made calamities. From earliest contacts up to recent times, Western observers, noting the prevalence of debt bondage, the high cost of credit, the crisis-ridden character of economic life, and what appeared to be a general scarcity of savings, portrayed Indonesian societies as being caught up in self-reproducing vicious circles of debt and poverty (Boomgaard 2003, pp. 90–1; Reid 1988–93, vol. 1, pp. 129–36; vol. 2, pp. 107–11). Many also put part of the blame for this situation on cultural attitudes favouring profligacy, fatalism, and dependency, or on traditional practices involving the destruction of capital, such as potlatch-like "feasts of merit", or the burial of gold and silver coinage with the dead. In a less moralistic way, modern anthropologists sometimes present similar arguments. Spyer (1997), for instance, argues that pearl divers in Aru are seduced by their supernatural "sea wives", spirit-women who embody both the rewards and the dangers of commerce, into becoming permanently indebted to pearl traders.

Some reservations, and qualifications, are immediately in order here. The great variety of cultural meanings accorded to debt in essentially similar situations, first of all, suggests that the *explanatory* value (as opposed to their ethnographic value) of those meanings may be limited. Second, judging by modern evidence from economically backward areas, any idea that interest rates were *uniformly* high in the past, even for poor farmers, is misleading.

A rare quantitative survey from the upland Philippines reveals that eighty per cent of all loans carry no interest charge at all, being obtained from friends and relatives for emergency or "consumption smoothing" purposes as part of an informal system of reciprocal insurance (Fafchamps and Lund 2003, p. 285). The rotating savings and credit association (Javanese/Indonesian: *arisan*), an institutionally simple means of pooling the capital of a small group, is another way of providing a certain amount of interest-free credit, and has a long history in Indonesia (Geertz 1962). Thirdly, similar doubts must apply to the common claim in historical sources, often based on superficial observation, that rural people were unable to accumulate savings. In fact, savings were usually present even in the most traditional settings, not only in relatively opaque forms such as livestock, slaves, and "social capital" of various kinds, but also more transparently as gold jewellery, a concentrated, portable form of accumulated wealth which was carefully valued according to its weight and could readily be exchanged for other commodities (Beatty 1992, pp. 192–94).

Savings in the form of jewellery, on the other hand, did not produce interest for the saver. And if the interest rates paid by borrowers were not universally high, they were certainly not uniformly low either. Rather, the informal credit market was characterized by enormous diversity and fragmentation. To judge, again, from recent evidence, the interest-free loans offered by relatives in emergencies coexisted with interest rates equivalent to hundreds or even thousands of per cent per year for loans from commercial sources (moneylenders, traders, landlords) in the informal sector. In the 1970s and 1980s, anthropologists observed that small commercial loans to low-income Indonesians were typically supplied at monthly (not annual) interest rates ranging from ten per cent to over sixty per cent, while effective monthly rates on very short-term (daily or weekly) credit were sometimes far higher again (Robinson 2002, p. 101; Strijbosch 1986, p. 291).

One reason for the extreme spread of informal sector interest rates is that the social networks within which low- or zero-interest credit is available are small, usually encompassing only relatives and close neighbours of similar economic status (Fafchamps and Lund 2003, p. 285). This means that the amount of capital available within them is limited. "On the whole", as Raymond Firth (1964, p. 20) straightforwardly put it, "peasants are poor, and their low income level, their poverty, is one of the prime factors in creating [...] unfavourable conditions for saving and capital formation." The limited geographical scope of the low-cost credit networks also means that as insurance systems, they tend to fail in the

rather common event that economic adversity — for instance, crop failure — affects many individuals in a given locality simultaneously (Platteau and Abraham 1987, p. 471). Demand for commercial credit therefore persists alongside the "moral economy" of reciprocal lending. And the costs of loans from informal commercial providers, as noted, are high — certainly higher than those charged by the formal microfinance institutions (of which more below) that are now partly replacing them. Regarding the reasons for the high cost of informal commercial credit there are two rival schools of thought, both of which find some support in the empirical evidence from Indonesia.

The first view, taking its cue from agricultural economists who in the 1980s argued that informal moneylenders actually provide efficient services and represent "value for the people" (Von Pischke, Adams, and Donald 1983), is that high interest rates accurately reflect the high risks and transaction costs involved in making small loans to poor borrowers, and that informal commercial lenders are also constrained by their own limited access to capital. The success of modern microbanking, in this view, reflects its greater ability to pool capital, and its concentration on making slightly larger and more secure loans to a slightly more prosperous section of the rural population (Steinwand 2001, pp. 310–15). The second school of thought, by contrast, holds that informal commercial lenders are not usually constrained by any shortage of loanable funds, and that their risks and transaction costs, at least when dealing with established clients, are moderate. In this view their high interest rates reflect the fact that they operate under conditions of "monopolistic competition" (Robinson 2001, pp. 170–222). Their low risks in relation to trusted borrowers reflect histories of repeated, personal, well-informed, and usually exclusive (monopolistic) transactions with those individuals. Most lenders can build up only a few relationships of this type, while most borrowers have only one informal commercial lender, and know it might not be easy to find another quickly. In these circumstances lenders charge high interest both to exploit their effective monopoly, and to cover the costs of building up their client relationships and knowledge (Van Zanden 2004, pp. 1041–42, 1044).

Besides giving rise directly to debt, the crisis-ridden nature of economic life also inclined people to enter into debt for insurance purposes. The pre-sale of standing crops to traders at low prices well before the harvest, a practice known in Java as *ijon*, gave farmers the certainty of money in the hand while shifting subsequent risks to the buyers (creditors) — who, of course, incorporated a corresponding risk premium (Bottomley 1975, p. 282)

into their interest charges. Relationships of more permanent indebtedness between peasant farmers on the one hand, and shopkeepers, moneylenders, or traders in agricultural products on the other, often involved an effective commitment by the creditor to provide further credit or other commercial favours if these were necessary to protect the borrower from insolvency. Such relationships, in other words, contributed to the social security of the peasant, who might even seek loans with the specific intention of binding a trader to him as a guarantee of future favours (Burger 1975, vol. 2, p. 72). A permanent credit line also provided, again at a price in (explicit and implicit) interest charges, a buffer against the volatility of prices (Elson 1997, p. 198). More generally, it can be said that any kind of indebtedness, including that of the debt slave, gave the creditor a vested interest in the survival of the debtor. In an insecure world this interest, however limited and however expensively purchased, was a valuable asset and an important source of solidarity in a society otherwise poor in bonds transcending the boundaries of kinship.

The "debt trap" portrayed by early European and colonial writers, although oversimplified, was not imaginary. In this volume, Van Zanden (Chapter 8) reiterates that by comparison with Europe, Java seems for a long time to have been long "caught in a trap characterized by thin and fragmented capital markets, with high interest rates". When moneylenders hold a large share of the microcredit market, as Robinson (2001, p. 185) observes "the high costs their borrowers pay for loans can have a substantial negative effect on development". What limited savings Javanese peasants managed to accumulate, meanwhile, were not recycled into the credit market to take advantage of the high interest rates on loans, but rather remained in inert forms such as gold, incurring further interest charges if they were temporarily exchanged for cash at the pawnshop. Only in the late twentieth century did this begin to change with the emergence of formal microbanking — of which more below — to mediate directly between rural savings and rural credit.

Credit, Trade, and Ethnicity

The fragmentation of historical credit markets in Indonesia was not only evident in the dramatic variety of interest rates on rural loans, from zero among risk-sharing networks of farmers to hundreds of per cent per month in many cases of moneylender loans. It was also evident in the contrast between the high cost of commercial loans to peasants, and the often rather

free flow of credit between members of groups professionally specialized in commerce. If trust, in relations between commercial lenders and peasant borrowers, was a scarce asset built up through sustained investment in individual relationships, the systematically high levels of trust prevailing in credit transactions within Indonesia's Chinese business community have long been something of a cliché. Anthropologist Alice Dewey, in her still classic *Peasant Marketing in Java* (1962), declared that among themselves, Chinese traders, in contrast to their Javanese counterparts, appeared to proceed from an assumption of creditworthiness: "A man who asks for credit normally gets it, and a man who gives it knows he will be repaid" (Dewey 1962, p. 47).

Similar statements, anticipating later theory on the role of trust and low transaction costs in Chinese commercial networks more generally (Landa 1983, 1994) are found in other anthropological studies from Indonesia in the same period (Castles 1967, p. 88; Ryan 1961, p. 31). In some such accounts, the differences between indigenous and Chinese credit practices may well have been exaggerated for contrastive clarity, or in accordance with stereotypes prevalent among informants. Subsequent research has certainly cast some doubt on the idea that Overseas Chinese traders in Southeast Asia enjoy systematically low risks or costs specifically in dealings with members of their own ethnic group or subgroup, as opposed to dealings with close business associates in general (Hodder 1996; Menkhoff 1993). There is, it must also be said, a dearth of quantitative historical data on interest rates in the Indonesian Chinese business world, and some qualitative sources mention high rates even on loans between family members (Vleming 1926, p. 139). What is nevertheless clear is that in late colonial times, the wealthiest and most creditworthy Chinese merchants borrowed at *annual* interest rates of just six to nine per cent from the Dutch-owned banks established in Indonesia from 1827 onward (Van Zanden 2004, p. 1046).

One of the reasons why statistics on interest rates in Chinese commerce are scarce, moreover, is that Chinese entrepreneurs sometimes worked not by borrowing on an individual basis, but by forming a joint venture or *kongsi*, pooling their capital in a common fund, and sharing the profits (Dobbin 1996, pp. 58–59, 176). This efficient procedure, which demanded a high degree of mutual trust among the participants (shareholders), was very rare in *pribumi* (indigenous Indonesian) economic life, where by and large, profit-sharing was known only as a basis for dividing the proceeds of a business loan from one individual to another. Although *arisan* or

rotating savings and credit associations did involve multiple participants, in an *arisan* the whole kitty brought together at each periodic meeting is immediately disbursed to the member whose turn it is to receive it, so that "no one has to be trusted to hold cash belonging to anyone else for any length of time" (Geertz 1962, p. 262). Carl-Bernd Kaehlig (1986), building on earlier work by Castles (1967) and Siegel (1969), has argued that historically speaking the inability to form a genuine corporate capital (*Gesellschaftsvermögen*) has been an important restriction on the ability of Indonesian entrepreneurs to compete with the Chinese commercial minority. A further sophistication of the Chinese diaspora in terms of financial organization was its use in certain business sectors, at least by the early eighteenth century, of "bills of exchange" enabling a debt owed to one person by another to be collected instead from a third party (Brown 1994, p. 20; Nagtegaal 1988, pp. 125–26).

Cultural interpretations of Chinese commercial success (Hofstede and Bond 1988; Redding 1990) notwithstanding, the business ethics and social control mechanisms associated with such institutions are not intrinsically restricted to particular ethnic groups. Rather, they tend to be found in any group, ethnic or otherwise, which exhibits a strong and established professional specialization in commerce. Dewey (1962, p. 43) notes that among those few Javanese who have succeeded in establishing themselves in wholesale trading, "the level of adherence to business ethics seems high", partly because of "the intimate knowledge the members of the groups have of each other". A key variable here seems to be the extent to which borrowers are constrained in their behaviour by the potential costs of losing their creditworthiness — costs which are determined by the scale of their existing success and by the range of alternative opportunities available to them outside the existing commercial specialization. Whereas a failed Javanese trader can often fall back on other economic options, and on social networks located outside the commercial sphere, the future of a Sino-Indonesian businessman tends to be more exclusively dependent, in social as well as economic terms, on commercial success, financial probity, and adherence to contract (Dewey 1962, pp. 47–48).

Perhaps the most common explanation for the (in this respect, though not in others) auspicious concentration of the ethnic Chinese in the commercial professions is a political one: that from the seventeenth century onward, the Dutch deliberately confined the Chinese community, with its small size and low political aspirations, to that role and supported it in its business activities as an "unthreatening alternative" (Reid 1993) to indigenous

Indonesian commercial power. The same tendency to favour vulnerable, politically isolated foreigners in commercial roles was also shown by indigenous Southeast Asian rulers in precolonial times (Kathirithamby-Wells 1993, pp. 133, 135). There is a direct parallel here, it has often been argued, with the way in which rulers in Europe once preferred the fruits of commerce to be enjoyed by unpopular and compliant Jewish minorities, rather than have them fall into the hands of potential rivals for political power (Chirot and Reid 1997; Hamilton 1978).

Other complementary explanations for the coincidence of ethnic identity with commercial specialization include the relative freedom of foreigners or "outsiders" from the constraints of the moral economy that requires peasants to provide their neighbours with economic favours such as interest-free loans (Foster 1974). Meanwhile the latent (and sometimes overt) hostility of the host society forces the foreign group ever more exclusively into its marginal, if lucrative, commercial niche, at the same time enhancing its internal solidarity, and hence its comparative advantage in terms of credit and transaction costs (Bonacich 1973). The Southeast Asian Chinese and the Jews of Europe are particularly prominent examples of a worldwide category of trade-specialized ethnic minorities. Other, more modest examples in the Indonesian context include "indigenous foreigners" such as the Kalang and Bawean traders of Java (Dobbin 1991; Guillot 1988). Before the Overseas Chinese rose to prominence in maritime Southeast Asia, another commercial minority, the (originally) South Indian "Chettiars", already occupied a comparable position in the region and had already developed the same sophisticated financial instruments, including corporate funds and letters of credit (Brown 1994, p. 12; Reid 1988–93, vol. 2, pp. 111–12).

The observation that credit flows more freely within trade-specialized communities than among the population at large has sometimes led the challenge of improving popular access to credit to be portrayed as one of providing more widely applicable substitutes for the informal, but compelling, social constraints that help to enhance trust and reduce interest rates among trading professionals. For Janet Tai Landa (1983, p. 102), for instance, a "policy implication" of the effectiveness of the Chinese code of business ethics is the need for the state to provide a functional alternative to that code for aspiring *pribumi* (indigenous Indonesian) entrepreneurs, in the form of "a well-functioning legal infrastructure for the protection of contracts". On a different tack, Christine Dobbin (1980; 1983, pp. 125–26) has argued that the historical association between commercialization and

Islamization in Indonesia can be explained partly by the way in which Islam, on a decentralized basis largely independent of the state, provides an impersonal legal and moral framework for market exchange — a framework that has the potential to encompass, through conversion, the whole population. Similar arguments have been made by a number of writers in African contexts (Ensminger 1992, pp. 59–62).

Credit, Ideology, and Nationalism

A further reason to regard credit and debt as central issues in Indonesian history is that in the early twentieth century, attempts to combat indebtedness and "usury" were closely associated with the rise of Indonesian nationalism, and with the ways in which politically conscious Indonesians came to understand their own society and history. The popular credit movement also informed a theory of underdevelopment, that of the "dual economy", which became influential far beyond the borders of Indonesia.

From the seventeenth century onward, as noted, the role of indigenous political leaders as suppliers of credit was increasingly usurped by ethnic Chinese traders. One reason for this was the Chinese minority's superior access to capital. Another was the rise of European power in the archipelago: the Dutch East India Company and the colonial state which superseded it regarded the Chinese as unthreatening economic partners at the level of intermediate or distributive commerce, and encouraged them to operate under European protection and in cooperation with European commercial interests. As foreigners they were mostly unable or unwilling to translate their creditor role into the customary forms of political power and patronage, and colonial protection meant that unlike their indigenous predecessors, they were not obliged to do so in order to keep their wealth secure from jealous enemies. Instead they generated economic dependency without political loyalty, and became a class of "pariah capitalists" (Hamilton 1978) with a stereotypical reputation for avarice and ethnic exclusivity.

At the end of the nineteenth century the issue of indigenous indebtedness in relation to Chinese "usury" began to attract the attention of social reformers within the colonial state. On home leave in the Netherlands in 1897, colonial civil servant W.P.D. de Wolff van Westerrode attended an agricultural congress at which there was much enthusiasm for cooperative farmers' credit associations of the Raiffeisen type developed in Germany since 1849. If such cooperatives had succeeded in helping Prussian peasants

raised in a tradition of "every man for himself and God for us all", reasoned De Wolff (1898, pp. 35, 106), how much more successful might they not be in Java, where the various customs of mutual help — which would later be referred to as *gotong royong* — suggested a cultural aptitude for cooperation and solidarity?

Two years earlier a small savings and loans bank had been established in his regency of Purwokerto in Central Java, apparently on the joint initiative of the local aristocrat and the previous Dutch administrator, with the aim of protecting Javanese civil servants from the usurious interest rates charged by Chinese moneylenders (Djojohadikoesoemo 1941, p. 11). Loosely following the Raiffeisen model, the function of this bank was now extended under De Wolff's direction to include the provision of credit, in cash or in unhusked rice, to farmers. An explicit principle of the new "Purwokerto Savings, Mutual Assistance and Agricultural Credit Bank" was that it "would have nothing to do with Foreign Orientals" — that is, with Chinese, Indian, or Arab traders and moneylenders (De Wolff van Westerrode 1898, p. 40). In the long run, De Wolff (1898, p. 105) envisaged that the *desa* or village community itself would become "a cooperative society which manages its own finances and assists its members with loans, at first in paddy, later perhaps also in cash". In an attempt to initiate this development, he and his colleagues also supervised the creation of a network of more than 200 *lumbung desa* or "village rice barns" linked with the credit bank.

Both the problem and the solution identified by De Wolff — respectively Chinese economic exploitation, and *pribumi* credit cooperatives — would resonate continuously down the next century of Indonesia's political history in the form of distaste for "alien" capitalism and enthusiasm for cooperative institutions drawing on an indigenous tradition of collectivism. Indeed no idea has ever united political elites in Indonesia, whether colonial or anticolonial, like that of the cooperative society. Not for nothing did J.H. Boeke, advisor to or coordinator of the colonial Popular Credit Service from 1914 to 1929, describe the cooperative movement as "the area in which the government in its highest aspirations can work together with the nationalist movement in its most constructive activity" (Boeke 1929, p. 167). Neither is it coincidental that the director of the credit service's Central Fund from 1924 onward, T.A. Fruin, was also president of a "Council of Anti-Usury Societies" and expressed understanding for (although not actual sympathy with) Nazi anti-Semitism in Germany (Fruin 1933, p. 145).

Today the name most closely associated with cooperatives in Indonesia is, of course, that of *Bapak Koperasi* ("Father of Cooperatives") Mohammad Hatta (1902–80), principal author of Article 33 of the 1945 constitution, according to which "the economy shall be organised as a cooperative endeavour based on the principle of family life". Often portrayed as a voice of realism and moderation among the early nationalist leaders, in this respect Hatta was, in fact, a utopian idealist who envisaged that one day the whole nation would become a "commonwealth of cooperatives" working together to "eliminate all competition" (Hatta 1963, p. 22). Soeharto too had a strong and apparently sincere attachment to cooperatives (Elson 2001, pp. 55, 64, 210–11), and after his fall, attempts to amend Article 33 were strenuously and successfully resisted in parliament (Mubyarto 2001). All this despite the fact that in practice, few Indonesian cooperatives have ever been very successful in achieving their economic objectives: the colonial credit service, indeed, quickly abandoned them in favour of direct state control, although it continued to pay lip service to the ideal of cooperative management and finance (Henley 2007, p. 96).

Despite all evidence to the contrary, Boeke and his colleagues held that mass indebtedness in Indonesia was a relatively recent development. They argued that it was contact with the ruthless agents and seductive products of an unfamiliar capitalist economy, based on money and profit, which had given the Indonesian peasantry a pathological thirst for credit (Boeke 1953, pp. 108, 206, 308; Fruin 1931, pp. 56–57). Originally, Indonesians had been innocent of both savings and debts, creatures of "limited needs" which they had satisfied by means of collective, rather than individual, ownership and enterprise. This characterization of pre-capitalist society was to find its way not only into Indonesian nationalist ideology, but also into academic theories of underdevelopment that became popular well beyond Indonesia.

J.H. Boeke was not just the leading figure in the colonial credit service in Indonesia. He was also the most internationally influential, for better or for worse, of all Dutch academic writers on Indonesia. His pessimistic theory of social and economic "dualism" (Boeke 1930), which has been described as "a sort of dependency theory *avant la lettre*" (Schmit 1991, p. 64), proposed that for cultural reasons as well as because of the pernicious ways in which the West had interacted with them in the past, non-Western societies were more or less impervious to economic development. Worse, such societies were said to respond to any economic growth which did occur by increasing in numbers rather than in living standards, so that

development efforts only served to fuel the global "population bomb". Boeke's ideas influenced many key non-Dutch academic works on Southeast Asia in the 1960s and 1970s, notably Geertz's *Agricultural Involution* (1963) and J.C. Scott's *The Moral Economy of the Peasant* (1976), and provided indirect support to efforts in Indonesia and elsewhere to pursue non-capitalist development strategies. Partly as a consequence of these strategies, ironically, developments in Indonesia in the 1950s and 1960s seemed to vindicate Boeke's pessimism: the country grew in population but not in prosperity. But that was soon to change.

Insights from Hindsight: Microfinance Revolution, Macrofinance Crisis

The chronological scope of this book extends from 860 A.D. — the date of the earliest known Javanese inscription relating explicitly to debt — to 1930, which marks the beginning of the greatest economic depression of modern times and the end of the "Ethical Policy" which inspired colonial-era interventions in Indonesian rural credit markets. Nevertheless it is also worth briefly considering two more recent events that serve to put the earlier history of credit and debt in Indonesia in a new perspective: the "microfinance revolution" of the late twentieth century, and the dramatic financial crisis which hit Indonesia and its neighbours in 1997 and 1998.

In the last two decades Indonesia has, unexpectedly for many, become famous for success in microfinance — the provision by formal institutions (banks) of financial services to the poor (Robinson 2002). By the beginning of the present century, the Village Unit (Unit Desa) system of the Bank Rakyat Indonesia (Indonesian People's Bank, BRI) was the largest financially self-sufficient microbanking system in the world, reaching about a quarter of all households in the country (Robinson 2001, p. 47). Beginning in 1984, BRI had succeeded within a few short years in transforming a government-subsidized rural credit programme, with high arrears and substantial losses, into a profitable banking business. The reformed operation featured a bonus system rewarding timely repayment, a graduated loan ladder (in which initial loans are very small and repayment secures access to progressively larger ones), commercial interest rates, and performance-based remuneration for branch managers. In 1996, with support from United States Agency for International Development (USAID), BRI set up an International Visitor Programme to instruct delegates from overseas on how

successful microfinance is done. When the Indonesian government sold off a forty per cent stake in BRI in October 2003, the shares were fifteen times oversubscribed. BRI, moreover, is not Indonesia's only successful microfinance provider: others include the locally based, community-owned Lembaga Perkreditan Desa (LPD) of Bali, and an increasing number of private commercial banks.

One of the surprising things about Indonesia's microfinance revolution is that it has taken place in an institutional environment which hardly permits any legal enforcement of credit contracts. The Peruvian economist Hernando de Soto, in his influential book *The Mystery of Capital* (2000), argues that what is needed to bring credit to the world's poor is solid legal institutions which can transform the "dead" capital of land and property into collateral for guaranteeing loans. But Indonesia's dysfunctional legal system, which still cannot guarantee anything much even in the world of big business and foreign investment, let alone tiny loans to peasant farmers and microentrepreneurs, has little to do with the success or failure of microfinance. Borrower selection procedures in the BRI rural credit programme do include requirements for collateral in land, houses, and moveable goods. But in practice the bank seldom tries to seize these in the event of default: collateral assessment is viewed primarily as psychological incentive to repay (Robinson 2002, p. 244).

How, then, has Indonesia's recent success in microfinance been possible? One factor may be the institutional legacy of the colonial period. In the 1920s and 1930s the rural credit system in the Netherlands Indies was already more highly developed than any similar scheme elsewhere in Southeast Asia (Booth 1998, pp. 304, 323). Despite continuing ideological emphasis on cooperatives, in practice the Popular Credit Service came to be based on an extensive network of state-supervised village credit banks, financed initially by government loans, and subsequently by operating profits made possible by commercial interest rates. Repayment rates were high, and strict regulation kept administrative corruption under control. The postcolonial collapse of this system, according to one view, was a temporary consequence of political turmoil and uncontrolled inflation, leading to negative real interest rates on monetary loans. As soon as macroeconomic stability was restored at the end of the 1960s, the old institutions and practices were rediscovered and adapted to modern conditions (Kuiper 2004).

While there is undoubtedly some truth in this, it is also important to note that the first two successful microfinance providers of the New Order

period had no direct colonial antecedents. These were the BKK (Badan Kredit Kecamatan) system of Central Java, established and owned by local government, and the private Balinese bank BDB (Bank Dagang Bali), both founded in 1970 and both, to some extent, models for the later reform of the BRI system (Patten and Rosengard 1991, pp. 17–53; Robinson 2002, pp. 144–64). Moreover, the colonial microfinance institutions differed radically from their modern counterparts in that they failed to mobilize savings. Today savings, more than loans, are the mainstay of the industry: total savings deposits in BRI village unit banks far surpass total credit outstanding, and the number of individual savers exceeds that of borrowers by almost ten to one. In the colonial period, by contrast, the government village banks were pure credit providers offering almost no savings facilities (Steinwand 2001, pp. 95–96).

One reason for this former neglect of the microsavings option was the fact that Dutch colonial microfinance, as noted, had its origins in initiatives designed specifically to free Indonesians from the grip of ethnic Chinese moneylenders. This priority ironically led the state to concentrate on lending money itself, in an attempt to displace the Chinese "usurers", rather than on reducing the need for Indonesians to borrow by helping them to save. Another reason why savings received no emphasis was the ideological conviction, inspired by Boeke, that the Indonesian rural population simply "does not know how to build up capital or how to save" (Fruin 1938, p. 106). Ironically this assumption was already contradicted to some extent by the success of the Credit Service's own pawnshops, which in most years accounted for fully sixty per cent of all credit dispensed (Van Laanen 1980, p. 40), but which were seldom perceived by the Dutch in terms of the rural savings which the pawned gold and other valuables represented.

Whatever the institutional limitations on microfinance in the early twentieth century, there is also a clear structural reason why it should have become more successful in the late twentieth century: the economic rise of Indonesia in that period to the status of an Asian Tiger. Whereas per capita national income grew only slowly before 1930 and may actually have declined between 1930 and 1967, from 1967 to 1997 it grew at an average of almost four per cent per year (Van der Eng 2002, p. 155). The benefits of this growth were not confined to a small elite: the proportion of the population living in income poverty, at least according to the official statistics, declined from sixty per cent in 1970 to eleven per cent in 1997 (BPS, Bappenas, and UNDP 2004, p. 13). One result was that the economic environment became intrinsically more conducive to successful

microbanking. Surveys carried out for the BRI in the period 1979–84 concluded that recent growth had "created a large, unmet demand for savings services" in rural areas (Robinson 2002, p. 268). At the same time, Indonesians now had more opportunities to make productive use of credit than at any earlier period (Chaves and Gonzales-Vega 1996, p. 69). Cross-country statistical analysis confirms that worldwide, macroeconomic growth has a significant positive effect on the performance of microfinance institutions (Ahlin and Lin 2006).

The success of microfinance in Indonesia is often characterized as the vindication of a brave strategy of "banking on the poor" (Fox 1999), and there is no doubt that the microfinance revolution has helped many low-income households improve their situations. Nevertheless even its greatest admirers acknowledge that among the "enabling conditions" for that revolution was economic growth, which made the poor relatively less poor, and therefore more able to take advantage of the opportunities it offered them for self-help (Robinson 2002, p. 219). In a way this bodes well for other countries where microfinance is still weakly developed. But at the same time it also suggests that microfinance is not in itself the key to fighting poverty, and that Indonesian models of microfinance may not work in the absence of economic growth.

For scholars of Indonesia itself the most important lesson of the microfinance revolution, with its dramatic reversal of long-standing historical patterns, may be that history, especially when interpreted in terms of cultural rather than economic forces, is an unreliable guide to what is possible in the future. This is underscored by the ironic fact that just as Indonesian rural microfinance was confounding sceptics and making history with its success, that part of the banking sector serving big business, long regarded as a domain of much lower credit risk, was experiencing an unprecedented crisis caused partly by borrowing behaviour reminiscent of that deplored by earlier writers in relation to the rural economy. The East Asian financial crisis of 1997 and 1998 was precipitated by excessive borrowing, often for the sake of unproductive spending (Noble and Ravenhill 2000, p. 5; Matsumoto 2007, pp. 192–93). In contrast to the old rural pattern, however, here the borrowing was fuelled partly by excessive supplies of cheap capital. Sustained growth over the previous three decades had made the increasing number of foreign investors active in Southeast Asia overconfident, leading to "a rapid accumulation of international debt in the corporate sector fuelled by excess international liquidity" (Pincus and Ramli 2004, p. 116).

Then in mid-1997, ominous developments in Thailand "triggered a panicky reassessment of risks that fed into a contagious epidemic of negative expectations, collapsing asset prices and exchange rates across East and Southeast Asia" (Cole and Slade 1999, p. 107). By the end of 1998, more than half of all loans from Indonesian banks were "non-performing"; ultimately sixty-eight banks were closed and twelve nationalized. The collapse of the banking system and the associated government bailout of depositors imposed a loss on the public equivalent to at least forty per cent of GDP (McLeod 2004, p. 95). It would be five years before the per capita national income returned to its pre-crisis level. Yet at the height of the crisis in 1998, when other Indonesian banks were folding by the dozen, BRI microcredit customers continued to pay back ninety-seven per cent of everything they owed, and savings deposits in the Bank Unit Desa more than doubled (Patten, Rosengard, and Johnston 2001).

Credit and Debt in Early Inscriptions and Law Codes

Following the present introduction, this book begins with two chapters based on the earliest available historical sources: precolonial inscriptions and legal codes. Jan Wisseman Christie (Chapter 2) deals with the period from the ninth century to the twelfth, a period of commerce, monetization and state formation, as well as cultural innovation and temple building, in Island Southeast Asia (Christie 1996, 1998). It was in this period that Java and Bali produced their own indigenous silver and gold coinage, replaced in the thirteenth century by Chinese copper cash and later by other types of foreign money (Wicks 1992, pp. 243–300). It is from this period, too, that Indonesia's corpus of inscriptions largely dates. Most of the inscriptions are fiscal documents, typically *sima* or "benefice grants" in which a ruler transfers the tax obligations of a specific community from the state to a religious institution for the support of that institution. Some of these tax charters, especially in Bali, contain incidental but nevertheless detailed information on the regulation of debt repayment and debt bondage.

Christie's evidence confirms that debt was a "major route to servitude" in early Bali and Java. Periodic interest rates are not specified, but there is frequent reference to the "doubling" of debts. Creditors had "the automatic right of mastery over defaulting debtors". Two categories of debt-bonded people were distinguished, according to whether they lived with their masters or maintained their own households. These correspond

unmistakably to the "house slaves" and "out-door slaves" (or "serfs") distinguished at later times in the outer islands of Indonesia (Ruibing 1937, pp. 30–38), and to the "hearth slaves" and "house-owning slaves" of the Philippines at the time of the Spanish conquest (W.H. Scott 1994, pp. 224–29). Debt-bonded individuals could be pawned by their masters, and under certain conditions also sold outright, although they retained in principle the right to "redeem their bodies" by buying themselves out of bondage. It is conventional wisdom that forms of bondage were less severe, and slavery as such less common, in the major states of Southeast Asia than in its stateless peripheries (Boomgaard 2003, pp. 87–88; Turton 1998, p. 448). Christie's observations, however, show that in medieval times, at least, this contrast was not marked, slavery and debt bondage being in both settings nearly indistinguishable.

The epigraphic evidence from Java and Bali is rather at odds with the "anthropological" view of debt-slavery as a consensual institution based on custom and culture rather than on force and law. Many of the references to debtors in Christie's sources involve individuals fleeing servitude by seeking sanctuary in the tax-grant communities. Here they were protected from seizure by their masters, and in Bali also exempted from further payment of interest on their debts, on condition that they worked to pay off the principal within a fixed period (in Bali, four years), and at the same time provided services or fees to the religious foundation supported by the community. Sanctuary-seekers whose debts had resulted from misfortune enjoyed more lenient repayment terms under the protection of the temple foundations than did those who had contracted their debts voluntarily. Not all of those falling into debt bondage, evidently, were content with their fate. Apparently too the state, albeit acting indirectly through the medium of religious institutions, was in some degree concerned to limit the degradation of its free subjects, via debt, to private chattels.

Written loan contracts, although none seems to have survived, are mentioned in two Balinese inscriptions, and in a Javanese law code passed down from this period via Bali. Several surviving original texts do record the clearance of existing debts. In these cases the people concerned are of high social status, and the sums of money considerable. The debts in question, moreover, are long-standing and often inherited, suggesting that indebtedness was a common condition even for the elite. Another subset of inscriptions considered by Christie records the pawning of land as a form of security for money loans. The creditor was entitled to interest on the loan, as well as to the use of the pawned land until the debt was

repaid. Formal ownership, however, remained in principle with the borrower (the original owner) even if the debt was never repaid. Christie concludes by noting that in early Java and Bali "there were many opportunities for falling into debt", that much of that debt was debt in money, and that a surprisingly sophisticated legal framework existed to regulate its consequences.

In Chapter 3, Peter Boomgaard uses information from surviving indigenous legal codes to pick up the story in the fifteenth century, after the inscriptions of Java peter out. Drawing on legal sources from Burma, Thailand, and Vietnam as well as the Indonesian world, he begins by echoing that "debt was the main road to slavery", and that the wide prevalence of slavery suggests that it was "rather easy to get into debt in early modern Southeast Asia". Heavily indebted individuals were obliged to work directly for their creditor-masters as peons or slaves, and destitute people deliberately sold themselves and their families into slavery in order to survive. The temple or pagoda slaves to whom Boomgaard refers here probably correspond to the sanctuary-seekers described by Christie as preferring to serve religious foundations rather than accept debt bondage to private creditors. Although debt slaves usually retained, in principle, the right to buy their freedom, the legal codes do not indicate to what extent the conditions of their servitude were such as to permit, in practice, the accumulation of capital with which to pay for their manumission.

If slavery was a function of indebtedness, debt, in Boomgaard's view, was primarily a function of poverty. "In all these cases", he states, "indebtedness, or, more in general, poverty, was the root of slavery." Among peasant farmers, harvest failures were a common cause of indebtedness. But the fact that urban artisans typically required advance payment (credit) for their services, just as farmers often took payment for their crop before it was ripe, suggests that even the relatively well-to-do "had very few reserves, and could easily become indebted". Another source of debt and bondage was legal punishment, in the form of fines for infringements of state law and compensation payments for personal loss or injury. In the absence of prisons, traditional law relied heavily on economic sanctions, and as in the case of ordinary debts, inability to pay legally required compensation resulted in enslavement of the offender.

Interpretation of the interest rates mentioned in legal sources is problematic due to the normative character of legislation and the possibility that in rural areas at least, the specified maximum rates reflect moral ideals rather than practical guidelines or limitations. On the other hand the

Islamic proscription of interest (*riba*) in any form, as Boomgaard observes, appears to have had little or no influence on the law even in Muslim areas. The current interest among Indonesians and Malaysians in Islamic banking, with its elaborate circumventions of the interest prohibition, is of recent origin (Venardos 2005). In the past, religious doctrine on this point was seldom taken so seriously (Firth 1946, p. 169; Reid 1988–93, vol. 2, p. 111). Southeast Asian folk ethics, while sensitive to the level of interest rates, tended to take the legitimacy of interest as such for granted, often explaining it in terms of analogies with "the natural increase of crops and livestock" (W.H. Scott 1994, p. 135). In some periods and contexts, nevertheless, there was a preference, consistent with Islamic law, for profit-sharing arrangements rather than fixed interest rates; examples will be mentioned below in relation to Chapter 4.

The lowest of the legal maximum rates referred to in Boomgaard's sources, at around thirty per cent per annum, accord with historically documented rates on loans made by European lenders to indigenous political leaders and Chinese traders during the seventeenth and eighteenth centuries. The most commonly cited figure is 100 per cent per year. The highest of the maximum rates for unsecured loans, as specified in the legal codes, is 150 per cent on an annual basis. Even this figure, it should be remembered, is still much lower than the real rates on short-term monetary loans observed in informal Indonesian credit markets in the twentieth century.

In accordance with earlier findings by the same author (Boomgaard 1996), the evidence presented in Chapter 3 reinforces Crawfurd's observation that interest rates were lower in areas under European rule than elsewhere. Whatever the reasons for this difference, however, it evidently did not reflect any lack of indigenous interest in legal safeguards for credit providers. Like Christie's epigraphic sources, the legal codes are rich in references to the registration of debts, typically involving witnesses and, despite the fact that literacy was far from universal, written contracts. Also frequently mentioned are collateral requirements, the laws in question often specifying lower interest rates for loans obtained on the additional security of land or livestock rather than just the standard collateral of the debtor's own person. Boomgaard suggests that the need for formal credit contracts was greater in rural settings, where levels of trust in those outside the immediate circle of family and neighbours were low, than among traders, who belonged to networks integrated by frequent transactions, and for whom verbal agreements were as good as written ones.

Credit, Commerce, and Ethnicity in Early Modern Indonesia

Chapter 4, by Kathryn Anderson Wellen, uses indigenous chronicles and Dutch records to examine credit practices within just such a commercial network: that of the Wajorese (To Wajoq), a Bugis people of South Sulawesi, in the eighteenth century. Anderson Wellen's emphasis is on institutions deliberately designed to promote trade by facilitating access to credit. Following a period of mass emigration stimulated initially by the military defeat of the Wajoq kingdom at the hands of Bugis and Dutch enemies in 1669, the To Wajoq came to form a commercial diaspora scattered throughout Indonesia from Aceh to Aru. The overseas settlements were linked to each other, and to Wajoq itself, by trade, family ties, and military alliances. Rulers in the homeland actively encouraged overseas commerce, and traders appointed their own representatives to court. One king, La Saléwangeng (ruled 1713–36), established a public fund, constituted by taxation, which was used partly for social security purposes and partly as a credit bank for entrepreneurs. Loans from this fund were made to traders on a profit-sharing basis: borrowers returned the principal together with one third of their profits, which were used by the state for military and other public spending purposes.

Another example of designed institutional support for trade and credit among the To Wajoq was their shared system of commercial and maritime law, usually referred to as the Amanna Gappa code after the man who sponsored its codification at a meeting of To Wajoq leaders from Makassar, East Kalimantan, and Sumbawa at the beginning of the eighteenth century. Anderson Wellen describes this code as "primarily concerned with fair business practices". Eight of its twenty-five chapters relate to the lending of money and goods. The prescribed procedures involve various meticulously distinguished types of profit-sharing agreement, such as the one which applied to loans from La Saléwangeng's public credit fund. They do not include fixed-interest loans, which (although not forbidden) are explicitly discouraged. Also discouraged is the enslavement of defaulting debtors; if a creditor does resort to this extreme measure, he or she is obliged to forgive any debt that has accumulated beyond the value of the debtor's person. Other topics covered include the use of collateral or security deposits, and procedures for settling disputes over loans.

Compared with the (mainly) agrarian regulations described by Christie and Boomgaard, the commercial Amanna Gappa code, despite its detailed

character, is clearly more flexible and less punitive with respect to debtors. This is suprising given that it was designed to provide a secure legal foundation for business, whereas the Javanese and mainland Southeast Asian laws were intended at least partly to curtail rural usury. Nevertheless in its own context the mild Amanna Gappa system, often resembling more an ethical than a legal code, seems to have been effective. The commercial success of the To Wajoq, at any rate, was considerable enough to make them a threat to Dutch enterprise, notably in the textile trade. A VOC general described them as "skilled and trustworthy merchants", praising in particular their honest handling of credit. Ready availability of credit made it possible for Wajorese people with few resources of their own to set themselves up in business. In Dutch Makassar, Anderson Wellen also notes, commercial disputes involving members of the Wajoq community were seldom brought before the VOC court, but rather dealt with internally. The exception described towards the end of the chapter involved a non-Wajoq (Dutch or Eurasian) creditor, to whom the outcome was more favourable than it would have been if the Wajoq laws had been applied.

In accordance with Boomgaard's analysis, the commercially oriented Wajoq regulations seem to have presumed a high degree of trust between borrower and lender — high enough, at least, to make possible profit-sharing contracts, adherence to which by the borrower is intrinsically more difficult for the creditor to monitor than in the case of fixed-interest loans. The existence in eighteenth-century Wajoq of a collective insurance and credit fund, likewise, indicates unusually high levels of social trust and integration. Such collective funds, like corporate business capital, have been rare in Southeast Asian history, not least due to the difficulty of finding custodians who can be trusted not to abuse them for personal ends (Henley 2007, pp. 100–102; Popkin 1979, pp. 47). Anderson Wellen concludes with the observation that solidarity, ethics, and a spirit of cooperation, as well as organization and institutions, were central to Wajoq's commercial and political success.

In Chapter 5, by Heather Sutherland, the setting remains eighteenth-century Sulawesi, and the theme remains the relationship between institutions and the supply of credit to traders. Here, however, the institutions in question are European, components of the VOC establishment in Makassar, the main Dutch settlement in Sulawesi. They comprise Makassar's *Raad van Justitie* or Council of Justice, a civil law court acting in commercial and financial disputes, and two seemingly unlikely corporate credit providers: the town's *diakonij* or college of deacons, which administered Protestant

church funds, and the *weeskamer* or "orphan chamber", which managed the estates and finances of orphaned children.

Both the deaconry and the *weeskamer* were in principle charitable and religious institutions, the latter being linked to an orphanage supervised by the church. Both, however, invested a large part of their capital in, and derived much of their income from, commercial moneylending. There is an intriguing parallel here with the historical role of temple funds as sources of credit for the Chettiar moneylending diaspora (Evers 1988, p. 204; Schrader 1994, pp. 6–7), and for certain Chinese ethnic and clan groups (see below). As credit providers, religious institutions have the advantage of moral sanctions against defaulters. Moral pressure may also help protect the custodians of such funds from the temptation to abuse the trust placed in them — although in the case of the *weeskamer*, which Sutherland notes was "a focus of recurring financial scandals", this was evidently an imperfect safeguard. Whatever their shortcomings, it and the *diakonij* succeeded in sustaining profitable credit businesses over many decades on the basis of annual interest rates of just twelve per cent, or in some cases even lower.

The ethnic composition of the borrowing clientele changed over time. In the first half of the eighteenth century it was overwhelmingly European, later substantially Chinese. Indigenous traders and nobles, a significant minority of clients at the beginning of the century, were gradually excluded after many defaulted and their debts proved unrecoverable. Sutherland explains this partly in terms of the fact that whereas the Chinese were economically tied to the city of Makassar and the Dutch, indigenous debtors could more easily evade Dutch creditors by taking refuge in the neighbouring, but substantially independent, Makassarese and Buginese kingdoms. In other words the dependent status of the Chinese, and their political isolation as "pariah capitalists", improved their credit rating with the Dutch, just as it improved their credit ratings with each other. It also inclined them to make more use of the VOC judicial system for resolving trade and credit disputes than did trading groups with Indonesian roots, such as the To Wajoq. Nevertheless since the commercial networks of the Makassar Chinese extended to areas far beyond VOC jurisdiction, including China itself, there were limits to the effectiveness of Dutch judicial involvement.

Chapter 6, by Kwee Hui Kian, takes up the theme of ethnic Chinese commerce in the different setting of western Indonesia, particularly Java. She notes that by the eighteenth century at the latest, Chinese traders and

miners in Java, Kalimantan, and the Malacca Straits were routinely able to pool capital for joint business ventures by forming commercial associations or *kongsi*, thereby reducing their dependence on interest-bearing loans. When commercial credit was required, moreover, it was available not only from individuals, but also from institutions which, like the VOC's Makassar *weeskamer* and *diakonij*, combined commercial with charitable and religious functions.

Often these lending institutions were temple or cemetery associations linked with particular clans, surnames, dialect groups, or places of origin. As such they were able to rely for contract enforcement purposes partly on the various means of social control available to relatively intimate groups based on narrow, shared identities. The best documented examples from Indonesia, however, are two much more broadly based community associations: the Chinese Council (Kong Koan) of Batavia (Jakarta), founded in 1742, and the much later "House of Aid and Direction" (Tjie Lam Tjay) of Semarang. Both were philanthropic institutions that nevertheless accumulated capital, mainly from the sale of burial plots in Chinese cemeteries, and lent out part of their reserves at interest to businessmen. Like the VOC's own charitable institutions, these Chinese community associations were not always free from financial scandal. Nevertheless the fact that they came to play similar roles as commercial credit providers seems to confirm that historically speaking, the mechanisms of restraint and accountability which made possible the operation of corporate credit institutions tended to develop most readily in non-commercial or semi-commercial settings. These mechanisms were not products of deliberate institutional design in the pursuit of profit, but rather by-products, albeit perhaps not unanticipated by-products, of social and religious activities not explicitly focused on economic goals.

Credit and Colonialism in Java

With Chapter 7 we arrive at the apogee of European economic as well as political power in Indonesia, the late nineteenth century, only to find European commercial creditors struggling in their relations with Chinese borrowers. In this chapter Alexander Claver describes a business crisis in Surabaya, then Indonesia's biggest city, caused by the overextension of credit, in the form of foreign manufactured goods, by European importers and wholesalers to ethnic Chinese intermediate and retail traders. When the

purchasing power of the Indonesian population declined in the 1890s as a result of falling prices for agricultural products on the world market, an established retailing system based on long-term credit abruptly collapsed.

The various European trading houses in Surabaya had long been locked in fierce competition with one another, and in order to maintain the trust of their overseas suppliers, they had expanded their operations during better years and cleared their shelves by the expedient of offering their Chinese distributors what Claver calls "fabulous credit on ever more generous terms". In many cases, individual retailers had received goods on credit from more than one wholesaler. Once the credit chains started to unravel, the wholesalers, anticipating that full recovery of their debts would be impossible, and concerned to recover what there was to recover before their rivals beat them to it, settled quickly with their distributors on disadvantageous terms. Commercial law provisions were regarded as favouring the debtors, and since the assets of retail traders consisted mostly of the instalment payments owed to them in turn by their customers, nobody was anxious to see them declared bankrupt; the best chance of retrieving what they owed lay in keeping them in business. Retailers themselves were aware of this, and some of them had in the past been able to take advantage of the situation by defaulting repeatedly on wholesaler loans without ever doing so quite severely enough to have themselves cut off from further credit.

In 1896, however, the arrest of one heavily indebted Chinese trader triggered a dramatic wave of business failures which ended with the European import houses in Surabaya having to write off close to half of all their outstanding credit. Despite the severity of this crisis, the financial caution to which it gave rise was short-lived; within a few years, risky credit practices were once again the norm. The colonial establishment's diagnosis of the problem was that it resulted from a regrettable inability on the part of the Dutch importing companies to cooperate by forming a *de facto* cartel, rather than allowing themselves to be drawn into self-destructive competition with one another. This interpretation no doubt partly reflected a concern with maintaining European authority and dignity. Nevertheless a problem of collective action was indeed involved here: for fear of losing market share, no single wholesaler was inclined to adopt a tighter credit policy unless its rivals did likewise; and since all these took a similar view, none acted until the debt crisis was already upon them.

In some ways the sequence of events described by Claver anticipated, on a miniature scale, the Asian financial crisis of a century later. In both cases

a period of superabundant credit, driven by inflated economic expectations and competitive overinvestment, cynically encouraged in some cases by credit recipients, ended suddenly when the financial bubble burst. Both crises underscore the fact that in commercial settings, excessive indebtedness is not necessarily a result of poverty or "capital scarcity"; on the contrary. Nevertheless in another respect, the credit-hunger of the Surabaya retailers did hark back to traditional, agrarian patterns: for the retailers, one of the attractions of credit was that money (or goods) in the hand were seen as a form of insurance against future adversity. The fact that this calculus was not disturbed, and the consequent boom-and-bust cycle not averted, by the relatively strong legal institutions of the late nineteenth century, when Chinese traders in Indonesia were subject to European commercial law, may be said to cast some doubt on the popular argument that weak regulatory institutions were a key cause of the financial instability at the end of the twentieth century (Cole and Slade 1998; Hamilton-Hart 2000).

The eighth and final chapter of the book, by Jan Luiten van Zanden, returns to the agarian economy. It assesses the attempts made in the early twentieth century by the Dutch colonial state to reform rural credit markets as the spearhead of its new "Ethical Policy" for improving the welfare of the Indonesian masses. There were two major prongs to this reform. The first was the establishment of an extensive system of credit

Government Pawnshop, East Java, 1931
Source: KITLV Image Collection, 25215

banks, at first along putatively cooperative lines, but ultimately as a centralized endeavour coordinated by the Popular Credit Service (Dienst van het Volkscredietwezen), established in 1912. The second was the "nationalization" (if that word can be applied in a colonial setting) of the pawnbroking industry in 1901.

In order to assess the impact of these reforms, van Zanden first compares the total amount of credit provided by the new banks and government pawnshops with the total value added of the agricultural sector (excluding export crops) in Java between 1905 and 1940. The ratio of credit to added value, he calculates, increased from about three per cent in 1910 to 8.5 per cent in 1929, before declining somewhat in the 1930s. If, however, the pawnshops and the urban *Volksbanken* or People's Banks, which contributed only indirectly to rural credit, are excluded from the calculation, then the figures for the village banks alone are 1.7 and 2.3 per cent respectively in 1910 and 1929. Secondly, van Zanden looks at the development of interest rates. The rates charged by pawnshops on their smallest loans fell from 143 per cent before the introduction of the monopoly to 72 per cent in 1901 and 48 per cent in 1920. The village banks, by contrast, raised their interest rates after 1913, although at 40–60 per cent per year these remained substantially lower than what was customary in the private market. Finally van Zanden considers savings, which, he notes, never financed more than a small fraction of the loans made. The conclusion is that the reforms were "moderately successful" in the sense that in those parts of the capital market that were monitored by the state, interest rates fell and access to credit improved. This helps to explain why the output and productivity of Javanese agriculture, after remaining stagnant for much of the nineteenth century, grew strongly in the years 1900–20. The poorest strata of rural society, however, were not reached, savings were not generated or harnessed, and the new credit institutions remained heavily dependent on the colonial state for management and supervision.

Emergent Issues

The essays in this book span more than a thousand years of history, and range in thematic coverage from debt slavery to corporate debt, from big business to religious charities, and from pawnshops to maritime law. Can any recurrent conclusions, or at least salient issues for further research, nevertheless, be extracted from them?

The spottiness of the evidence, not surprisingly, makes the identification and explanation of specific historical changes difficult. What is immediately apparent, however, is a considerable degree of historical continuity. This continuity is particularly striking with regard to the legal and political regulation of credit markets. A thousand years ago in Java, debts and debt repayments were already being registered in written, witnessed documents, endorsed by the law of the state. Legal provisions also existed to control interest rates, regulate the use of land as collateral, and provide avenues of escape from chronic indebtedness. Three hundred years ago in Sulawesi, a Bugis king established a public credit bank for traders, while his diasporic vassals spontaneously created, and enforced, a complex code of commercial and maritime law. A century ago the Dutch colonial state, as part of a concerted rural development strategy, attempted to transform capital markets in Indonesia by means of an extensive system of village credit banks.

An unavoidable corollary of these surprising parallels between past and present in the institutional and legal sphere, however, must be a certain amount of doubt regarding the importance of formal institutions to the actual development of credit markets, or to the practical consequences of indebtedness. Debt bondage, after all, remained common in pre-Islamic Java despite interest rate restrictions and the role of the temple foundations as debt sanctuaries, while state interventions were only "moderately" successful (to quote Van Zanden again) in reforming rural credit markets in colonial Java. And although the To Wajoq of eighteenth-century Sulawesi developed sophisticated institutions for the supply and management of credit, there are indications that these worked in the first place not because of the particular way they were designed, but rather thanks to the business ethics, defensive solidarity, and restrictive social norms of the trade-specialized ethnic minority which designed them. The recurrent historical role of religious institutions — Chettiar and Chinese temples, Dutch church charities — as corporate credit providers points likewise to a nexus of culture, trust, identity, and commercial professionalism, rather than to a nexus of power, policy, reason, and law, as the key to making credit cheap.

This is, of course, at odds with that important part of the institutional economics literature which focuses on the relationship between economic transactions and the state (Barzel 2002; North 1990). It is also at odds with the popular thesis of De Soto (2000), according to which the best way to reduce the risks, and thereby the costs, of lending capital is to provide a reliable legal means of expropriating collateral, for instance in

the form of land or real estate, in the event of default. In Indonesia, to reiterate, this is definitely not how successful microcredit has worked; the recent microfinance revolution has taken place in an environment of very weak legal institutions, and has relied on the incentive of repeated borrowing opportunities, rather than on the threat of collateral expropriation, to discourage default. Southeast Asian historical experience, moreover, indicates that the primary result of improved legal regulation of land tenure is often a negative one: the expropriation of peasant land on a large scale by creditors (Elson 1997, pp. 132–33, 198–99).

All this is not to deny that political power has sometimes played a key role in facilitating credit and commerce. The need for commercial contract enforcement, as noted earlier in this introduction, may lie at the very genesis of the Southeast Asian state, and Indonesia's recent advances in mass microfinance are largely the achievements of state-owned institutions such as the BRI. Nor does it make sense to deny the importance, in some circumstances, of deliberate institutional design; the systematic failure of Dutch colonial microfinance institutions to provide accessible facilities for saving as well as borrowing, for instance, was undoubtedly one reason for their modest impact in comparison with their modern counterparts. Nevertheless it is also true that in colonial times the rural population, being poorer, had less to save; that having fewer opportunities for productive investment, it was less creditworthy; and that living under less thoroughly commercialized economic conditions, it had not yet fully taken on board businesslike values such as a belief in the moral importance of fidelity to time-specific contracts (Andaya 2001, p. 30).

Under these conditions microfinancial development was intrinsically a tough challenge, and success effectively had to wait until the rural economy, for reasons connected with infrastructure investments and technological advances in agriculture, began to grow strongly in the 1970s. Probably there were marked threshold effects here. Robinson (2001, p. 187) observes that whereas the poor typically borrow for consumption and for emergencies, the better-off borrow more often for investment purposes. The spontaneous transition, with rising incomes, from credit as a form of insurance to credit as a source of investment funds no doubt helped, in itself, to set in motion a self-perpetuating virtuous circle of growth and saving. In an earlier era, a comparable transition was probably largely responsible for the disappearance of debt slavery from Indonesia. Here too the decisive factor seems not to have been institutional change (the legal abolition of slavery was seldom effectively enforced), but rather increasing

market integration, which reduced the incidence of poverty and subsistence crises, and at the same time provided a means of coping with such crises other than the traditional practice of placing oneself in the debt, and at the service, of others (Henley 2005, pp. 464–65). In the last analysis, economic development itself is probably the best way to ensure that credit becomes cheaper and more accessible. But it should not be forgotten that a more abundant supply of credit brings with it new risks of excessive borrowing, overindebtedness and, eventually, catastrophic correction. Here too, as noted, history offers instructive cautionary tales.

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2
Preliminary Notes on Debt and Credit in Early Island Southeast Asia

Jan Wisseman Christie

Debt, as a concept, appeared early in Island Southeast Asia. The common term in Indonesian languages for debt — *utang*/*hutang* or a close variant — has been traced back to Proto-Austronesian (Wurm and Wilson 1975, p. 53). Local customs for dealing with certain types of indebtedness must be equally venerable. By the time of European contact, these customs, mixed with borrowings from the major legal traditions of South Asia and the Middle East, had long been codified into law.

Although the law codes of much of western Indonesia and the Malay peninsula had been adjusted by the sixteenth or seventeenth century to accommodate Islamic legal traditions, certain law codes that survived in Bali (Pigeaud 1967, pp. 307–08) were said to have been based upon the law codes of the fourteenth- and fifteenth-century state of Majapahit in Java, which were, in turn, modelled in part upon Indian law codes. These Javanese-Balinese texts may thus provide considerable insight into the law relating to debt, credit, and debt bondage in parts of maritime Southeast Asia during the pre-Islamic period. Since, however, these codes survive only in later copies, their contents must be tested against earlier sources.

A few such sources have survived. The contents of a number of inscriptions written from the ninth century onwards, found across a region stretching from western Indonesia to the northern Philippines, indicate not only that local custom relating to debt had been codified into law, but also that those early states from which written records have survived shared a very similar legal culture. In part, this uniformity of legal framework was due to the fact that early codified law in the region was influenced, at least in theory, by the law codes of India. But the detailed regulations relating to debt and its consequences in early Island Southeast Asia also

appear to have drawn heavily upon local customary law. The fact that both conceptual framework and detailed regulation across parts of the region were, by the tenth century, relatively uniform, was presumably due not only to shared cultural roots, but also to centuries of maritime trading within the archipelago, and to the shared commercial framework that resulted from those centuries of mutual interaction. Archaeological and epigraphic data indicate that the states in the region that produced inscriptions in the later first and early second millennium A.D. also shared a monetary culture (Wicks 1992; Christie 1996). Moreover, by the tenth century at least two major states in the islands — Śrīvijaya in south Sumatra and Mataram in Java — had drawn others into their political and cultural, as well as economic, spheres of influence.

Inscriptions that provide information concerning custom and law are not evenly distributed across the maritime region. The vast bulk of these were written in Java and Bali. Although an inscription from Luzon in the northern Philippines provides valuable data concerning the law relating to debt, the few inscriptions of this period known from Sumatra and the Malay peninsula are less useful. As a consequence, much more is known about debt and its consequences in Java and its sphere of influence than in Śrīvijaya and the Malay-speaking regions.

This survey is based upon the published inscriptions of Java, Bali, and Luzon. Most of those included, with the exception of a small number of later inscriptions from Java, were written between the mid-ninth and late twelfth centuries A.D. For reference purposes, full translations of the relevant passages from these inscriptions are provided in an appendix at the end of the volume.

Debt and Its Consequences in Early Java and the Javanese Sphere of Influence: Case Studies

The early record concerning debt and its consequences is patchy. Information selected for preservation on permanent materials varied from island to island, and its contents shifted somewhat over time. Although credit was important in trade, and trade was the life-blood of many early communities in the archipelago, no loan contracts have survived. However, the fact that monetary loans were made, and that some borrowers inevitably came to grief, is clear from material that appears occasionally in inscriptions that were written on permanent materials. Inscriptions containing references to debt fall into roughly three groups: documents that deal directly with the

clearance of specific debts; those that allude to the pawning of specific tracts of agricultural land; and tax charters that include the right to regulate debt in lists of privileges appended to the grants. Few examples of the first two groups survive in the record, most of them dating to the ninth and tenth centuries. With the exception of one inscription from Luzon, all were issued in Java. Examples of the last group occur in greater numbers, from the tenth century onwards, but particularly in the eleventh and twelfth centuries. Some of these are from Java, but the most numerous and most detailed examples come from Bali.

Group A: Debt-Clearance Documents in Java and Luzon

The earliest known references to debt appear in inscriptions dating to the later ninth and early tenth centuries A.D. These inscriptions comprise a small group of *śuddhapātra* (a common Old Javanese spelling of the more correct Sanskrit term *śuddhapattra*; see Gonda 1973, p. 572), or debt-clearance documents. Their distribution is interesting, four of the inscriptions coming from Java and one from Luzon in the northern Philippines. All have in common the fact that they were legal documents issued by law courts or judicial authorities, and all use the Sanskrit term *śuddha* to denote clearance of debt or financial obligation. These few documents must have belonged to a much larger group of such texts, most of which were written on perishable materials. Although these documents do not state the reasons for their having been written — at some cost — on permanent materials, they do exhibit certain similarities. All involve people of high status; at least three of them deal with inherited debt; most involve substantial sums of money; and most are connected in some manner with religious personages or institutions. This last is significant, since the financial claims of religious foundations were not limited by individual lifespans, and these institutions possessed the resources to pursue such claims. Debt-clearance documents issued on permanent material must have provided necessary long-term security for the individuals and families involved.

The oldest known *śuddhapātra* is that of Bulai, issued in Java in 860 A.D. (Appendix A.1). Since the first plate is missing, and a third of the left-hand side of the existing plate has also disappeared, the surviving text is disjointed. It appears, however, to be the record of a long-running legal dispute involving a sum of money — 2 *kati* 7 *suwarṇa* 8 *māṣa* or 1.8 kilograms of gold and 1 *māṣa* or 2.4 grams of silver — entrusted to a community council by a high official. After the death of that official, a dispute seems to have arisen between the community council and a religious

personage who laid claim, more than once, to the money. The final court decision, in the form of a *śuddhapātra* favouring the community council, was issued in 860 A.D. No term specifically referring to debt appears in the surviving portion of the inscription; nor is the basis for the claim made by the religious personage clear. The only link between this document and others dealing with debt is the use of the term *śuddhapātra*.

The next inscription in this group is also from Java. The Kurungan inscription of 885 A.D. (Appendix A.2) is not principally a debt-clearance document. It records the purchase of wet rice land for 1 *kati* or 768 grams of silver by a religious personage, for the purpose of presentation as a meritorious gift to a religious community. Part of the statutory gifts presented to the community from which the land was purchased took the form of the writing off of 7 *dhāraṇa* or 268.8 grams of silver, the sum of the interest on the community's debt. This apparently completed the repayment of that debt, the sale of the land presumably having furnished the community with the funds needed to repay the principal, and perhaps a portion of the interest as well. Although the document states that the aim of the transaction was the repayment of the community's debt, no hint is given as to how the debt was incurred, the exact amounts owed as principal and interest, and the person or institution to whom the debt was owed.

Also from Java is the Guntur inscription of 907 A.D. (Photo p. 2, top; text in Appendix A.4). This is an early Javanese example of a *jayapāttra* (a common Old Javanese spelling of the Sanskrit *jayapattra*), or legal victory document, later referred to in Java as a *jayasong*. It records the legal judgement in a lawsuit concerning a debt. A woman owed 1 *suwarṇa* or 38.4 grams of gold to a relative, and when she died without having repaid the debt, that relative made a claim against her husband for repayment. The husband argued that his wife had contracted the debt without his knowledge, and that since there were no children of the union to inherit the debt, the debt had died with his wife. The lawsuit was taken to court, and the judgement went against the relative, since it was ruled that a husband could not inherit a debt from his wife that was contracted without his knowledge. In the absence of children to inherit the debt, the relative had no case. The fact that the lawsuit, and the recording of the judgement on copper plate, must have cost as much or more than the sum of gold at issue suggests that a matter of principle — and some personal antagonism between the disputants — was involved. As with most other cases in which such judgements were recorded on permanent materials, this case involved — at least indirectly — a religious establishment, as well as, possibly, members of a religious community.

Another debt-clearance document dealing with inherited debt is the Javanese Wurutunggal inscription of 912 A.D. (Appendix A.5). The wording of the text makes it clear that the father's debt had become his child's debt. The sum involved — 16 *suwarṇa* 10 *māṣa* 2 *kupang* 5 *saga* or 640.1 grams of gold — was substantial, possibly because it represented both the principal and unpaid interest.

A truly interesting addition to this group is the Laguna inscription from Luzon in the northern Philippines, issued in 900 A.D. (Appendix A.3). Only the first plate of this copper-plate inscription survives. The document deals with the clearance of an inherited debt, contracted by a religious official, and apparently repaid by his children. The sum owed — 1 *kati* 8 *suwarṇa* or 1075.2 grams of gold — was of a magnitude roughly similar to those dealt with in some of the documents issued at much the same time in Java. The Laguna inscription was written in a script identical to that used in Java and Bali at the same time, and the contents were structured in a manner similar to those of Javanese inscriptions of the late ninth and early tenth century, although the date formula was simplified. The text was written in what appears to have been a mixture of Old Malay, or coastal Indonesian, and Old Tagalog (Postma 1991, p. 162). However, most of the titles and a number of the personal and place names in the Laguna inscription appear to have been influenced by those used in Java and Bali during the ninth century, the most notable being the place name Mḍang, which was the name of one of the capitals of Mataram in Central Java. The monetary units mentioned in this inscription — *kati* and *suwarṇa* — were those in use in Java and Bali from the ninth to fourteenth centuries. The gold *piloncito* coins found at early sites in Luzon resemble the early coins of Java and Bali, and they share the same weights (Legarda 1976, pp. 14–15; Christie 1996, p. 250). Luzon at the beginning of the tenth century clearly shared elements of the monetary system then in use in Java and Bali. Some of the terms relating to debt appearing in this inscription had analogues in Old Javanese and Old Balinese. In addition, the Sanskrit term *wiśuddhapātra* used here is very similar to the term *śuddhapātra* used in Javanese inscriptions, and exhibits the same orthographic peculiarity, that is, the use of the spelling *pātra* instead of the more correct *pattra*. The Sanskrit term *kāyasthā* for clerk also appears in the Central Javanese inscription of Śrī Manggala II, dated 874 A.D. (Sarkar 1971, no. xxxii). There seems little doubt that the community in which this document was written had connections with Java and Bali that went beyond mere trade links.

Three of the five documents in this group — one from Luzon and two from Java — deal with inherited debt, and thus with family liability. Two inscriptions record the repayment, by children, of debts left unpaid by deceased parents. In both cases the sum of money involved was substantial, but the obligation was uncontested. The third document, however, is the record of a legal dispute over a far smaller debt. The sum of 1 *suwarṇa* (38.4 grams) of gold was not negligible, since it was the price of a full-grown water buffalo (Christie 1996, p. 258), but the court case and the recording of the decision on copper plate must have cost at least that much. Whether it was undertaken out of principle or out of spite, it is this case that provides the clearest description of the circumstances of the debt, and of the legal arguments that led to the court's decision.

The other two inscriptions in this group, both from Java, involve money held or owed by communities. The reasons for, and in one case even the existence of, the debts remain unclear. However, these documents indicate that communities, as well as individuals and families, could borrow money or hold it in trust.

Group B: Documents Relating to the Pawning of Agricultural Land in Java

Large loans often require security, and land provides the surest form of security. A small number of surviving inscriptions, all from Java, allude to the pawning of agricultural land. The Old Javanese term for pawning used in these documents — *saṇḍa* — also appears in the later law book *Kuṭāramānawa* (Jonker 1885, articles 94, 100, and others). The use of agricultural land to provide security for loans may have been much more common than the surviving record suggests, since such transactions — like debt clearances — appear to have been recorded on permanent materials mainly when they involved religious foundations in some manner.

The earliest mention of pawned land is found in the Panggumulan II inscription, dated 903 A.D. (Appendix B.1), which takes the form of a brief addendum to the benefice (*sīma*) charter Panggumulan I of 902 A.D. It records an additional gift made to the same religious foundation, involving the redemption of pawned orchard land as well as the purchase of wet-rice land.

Also dating to the tenth century is the Mpu Mano inscription, dated 966 A.D. (Appendix B.2). Only the first plate survives of this fourteenth-century copy of the original. The text records a substantial meritorious

gift made by an individual donor to a sanctuary, part of which involved the redemption of land that had previously been pawned for the benefit of that religious foundation. This land, which had been pawned for 2 *kati* (1536 grams) of gold, was redeemed, on behalf of the sanctuary, at the cost of 3 *kati* (2304 grams) of gold, the additional 1 *kati* of gold presumably representing the interest on the loan for which the pawned land acted as pledge.

Another document, issued considerably later, but involving claims reaching back into the tenth century, provides an insight into the continuity of law relating to pawned land. The Jayasong copper-plate inscription dates to about 1350–1360 A.D. (Pigeaud 1960–63, vol. 1, pp. 104–07; vol. 3, pp. 151–55). It records the judgement in a lawsuit concerning a dispute over the ownership of several parcels of land. One of the litigants, Santana, claimed that he owned the land, having inherited it from remote ancestors, one of whom had founded a religious community in 909 Śaka (997 A.D.). The other litigant, Anawung Harṣa, also claimed to be the owner of the land that was the object of litigation, since the land had been pawned by a remote ancestor of his against "one and a half measures of silver at a time when this island of Java did not possess the means of *pisis* (copper coins)" (Pigeaud 1960–63, vol. 3, p. 154). The judges consulted examples from the law codes and teachings, and made enquiries in the region. The judgement finally went against Anawung Harṣa and his family, since documentary evidence that their ancestor had pawned the land was lacking. The judgement document (*jayasong*) was issued to Santana.

Four points of interest arise from this small group of inscriptions. The first is the fact that, in at least one case, the cost of redemption of the land was apparently greater than the original sum loaned to the person who pawned it. This indicates that profit in the form of interest was expected from the loan, over and above that derived from the creditor's right to use the land. The second point is the fact that religious establishments, like individuals and communities, apparently borrowed substantial sums of money. The third point is that a serious argument could be mounted in court over the ownership of land allegedly pawned three centuries earlier. This suggests that the ownership of land in pawn did not automatically lapse after a set period of time. The fourth point is that there were apparently, by the fourteenth century, a number of existing law codes and a considerable body of customary law to be consulted by judges in such disputes.

Group C: Documents Referring to the Regulation of Debt Repayment and Debt Bondage in Bali and Java

Most inscriptions produced in Java and Bali were tax charters of one sort or another. A number of these provide information about the regulation of debt. Although lists of regulations appear more frequently in Balinese charters and are recorded in greater detail, similar passages do occur in Javanese charters of the same periods.

The earliest surviving Javanese tax charters, written in Old Javanese language, date from the early ninth century. Most Javanese charters took the form of *sīma* or benefice grants, in which the ruler transferred the taxes paid by specified communities to certain religious foundations for the support of the latter. Although the primary focus of most Javanese charters changed little between the ninth and twelfth centuries, the secondary elements of these texts tended to shift over time. By the early tenth century these secondary elements included lists of regulations attached to the tax grant. Regulations included in tenth-century documents set limits on the tax-free trade allowed within *sīma* communities, and contained general references to laws relating to crimes and misdemeanours. By the eleventh century, however, these regulations also began to include lists of sumptuary privileges, and certain regulations relating to debt and debt bondage.

In Bali, the earliest known charters, issued in the later ninth century, were written in Old Balinese language. However, Bali appears to have come under increasing Javanese influence during the tenth century, and by the end of that century most documents issued by the Balinese court were, like those in Java, written in Old Javanese language. Despite this change in language and an accompanying restructuring of the format of Balinese inscriptions, the contents remained remarkably stable from the early tenth century onwards. Brief mentions of regulations dealing with debt began to appear fairly regularly in Old Balinese language charters early in the tenth century, before direct Javanese influence was apparent in Balinese charters. Balinese royal charters of the eleventh century and later also dealt with regulations affecting communities in far greater detail than those of Java. Tax charters from Bali thus provide a particularly rich source of information concerning the regulation of debt.

The earliest allusions to standard practices in debt regulation occur in Balinese inscriptions written in Old Balinese language during the first half of the tenth century A.D. (Appendix C.1–4). The major foci of these early regulations were the connection between indebtedness and bondage, and

the means offered for escape from bondage through supervised repayment of debt. The difference between voluntary and involuntary indebtedness, and the matter of profit derived from monetary loans, were also dealt with. These remained the primary concerns of such regulations in Bali and Java during the following centuries.

Debt Bondage

A major route to servitude in early Bali and Java was through debt. Regulations listed in inscriptions of both islands from the eleventh century onwards regularly refer to debtors fleeing servitude by seeking sanctuary in tax-grant communities (Appendix C.5–25).

The early Old Balinese-language inscriptions refer to two classes of people held in debt-bondage: *hulun* and *kalula*. The term *hulun* is probably the older of the two. Its meaning was broader and its use was more widespread. *Hulun* was used in early Bali and Java in a general sense to refer to servants, clients, and royal subjects. It was also used in the late seventh-century Old Malay inscriptions of Śrīvijaya in South Sumatra to refer to subjects of the king (De Casparis 1956, p. 32), and it has analogues in the modern languages of Borneo (Hinloopen Labberton 1934, p. 717). The other term — *kalula* in Old Balinese and *kawula* in Old Javanese — was more limited in its distribution, appearing in Java, Bali, and the Balinese-dominated portion of Lombok (Hinloopen Labberton 1934, p. 333). Although the two types of servants were apparently differentiated in the early tenth-century Balinese inscription of Bangli Pura Kehen A (Appendix C.1), in later inscriptions of Bali and Java the terms tend to be used alternately, although *hulun* was still used more often in a general sense.

The major divide, in charters issued from the mid-eleventh century onwards, appears to have been that between those labelled *hulun* or *kawula*, and those classed as *raray hulun* or *raray kawula*. The term *raray*/*rarai* referred, in a general sense, to the young, and in a more specific sense, to dependants living in the household of their parents or, in the case of servants, their masters (Zoetmulder 1982, p. 1513). The status of dependent servants was lower than that of those who maintained their own households and merely owed certain services to their masters. The terms of servitude must have been more onerous for the in-house servants, and their relationships with their masters more complicated. A brief passage in the eleventh-century Malĕnga inscription from Java (Appendix C.7) suggests that a master could have sexual intercourse with female *kawula*

in compensation for monetary debt. It seems likely that this passage refers to *kawula* living in their masters' households.

Debt bondage was regularly linked in inscriptions to debts incurred through the borrowing of money (Dawan, Appendix C.8; Sukawati A, C.9). The regulations concerning indebted servants or debtors fleeing servitude stated that those who sought sanctuary in tax-grant communities were to be allowed the opportunity to pay off their debts, and were to be protected from seizure by their masters while doing so (Kakurungan from Java, Appendix C.5; Dausa C.10). Penalties imposed upon masters who seized servants granted sanctuary included both a substantial fine, and the loss of both their money and their rights over their servants (Gobleg Pura Desa III, Appendix C.17; Sukun from Java, C.20).

Those in debt bondage who had repaid their debts in accordance with the regulations were allowed, at the correct time, to "redeem their bodies" publicly (Gurun Pai, Appendix C.13). It was also possible for friends or relatives of those in debt bondage to redeem them by repaying debts on their behalf (Srokadan B, Appendix C.15).

Not all debtors living in tax-grant communities were able to pay off their debts. The regulations consistently stated that debtors who were unable or unwilling to repay their monetary debts were to be handed over to their masters forthwith. Their debts — and the resulting bondage — descended to their children. There are references in inscriptions of twelfth-century Bali to households headed by descendants of servants (Gobleg Pura Desa III, Appendix C.17). These were subject to a lighter burden of taxes and a more limited range of communal duties than were free households in the same community, but also presumably had fewer rights within that community. It was such a state of inherited servitude that some of the families who were granted debt-clearance documents clearly sought to avoid.

Although children could inherit debts from their parents, and along with them the state of bondage, others could not automatically be held responsible for the debts of deceased debtors. The Kuñjarāsana inscription of mid-twelfth century Bali (Appendix C.19) makes it clear that if a householder killed a thief caught in the act, and that thief was in debt bondage, then the householder was not responsible for the debts of the deceased thief. The Balinese Gobleg Pura Batur charter of later in the same century (Appendix C.23) states that if a member of the community was temporarily housing a travelling *kawula*-servant, and the servant died, the host was not responsible for the servant's debt.

A distinction was repeatedly made between debts contracted voluntarily, through the borrowing of money, and debts of misfortune or misconduct. Several inscriptions make reference to the treatment of people who had fallen into debt involuntarily. They are variously described as respectable people (Kambang Srī from Java, Appendix C.6); members of the community council fallen into debt (Buwahan, Appendix C.23); householders who had suffered debts through destitution (Dawan, Appendix C.8) or through misfortune (Dausa, Appendix C.10); or householders who had "broken iron" (Pengotan AII, Appendix C.12). Other inscriptions include in this group people whose involuntary debts had arisen from defaulting on corvée labour duties (Bangkala, Appendix C.11), from theft, and even from fines for wrongdoing (Dawan, Appendix C.8). These people were also allowed to pay off their debts in a regulated manner rather than fall into servitude.

Regulated Repayment of Debt

A number of the regulation lists include statutory debt-repayment schedules that applied to debtors seeking sanctuary in tax-grant communities. A repayment schedule of 4 *māṣaka* per *tahil* each year appears first in the mid-tenth century Old Balinese-language Manik Liu AI charter (Appendix C.4). This remained the most commonly stipulated schedule in Bali in the following centuries. One *māṣaka* (or *māṣa* in Java) weighed about 2.4 grams, and there were sixteen to the *tahil* (38.4 grams), this latter being an indigenous weight to which the (originally) Indian *dhāraṇa* silver weight and *suwarṇa* gold weight were both pegged (Christie 1996, pp. 257–59). It was thus expected that Balinese debtors would clear their debts in four years. Although a few Balinese charters specified even tighter schedules for some debtors, requiring repayment within either one year (for instance, Dawan, Appendix C.8) or two years (Sukawati A, Appendix C.9), the four-year period appears to have become the standard. Balinese inscriptions of the twelfth century state that this schedule was the custom for debts (for instance, Gobleg Pura Desa III, Appendix C.17).

Javanese charters specified less onerous debt-repayment regimes than did contemporary charters in Bali. The early twelfth-century Javanese inscription of Paradūwan i Padlĕgan (Appendix C.18) lists a repayment rate of two *māṣa* (4.8 grams) per *tahil* (38.4 grams) each year. This rate fell to one *māṣa* per *tahil* each year in the later twelfth century (Sukun, Appendix C.20; Duhan i Jaring, C.22). Debtors in twelfth-century Java were thus expected to clear their debts first in eight years, then later in

sixteen. Although the sample is small, the shift may reflect harder times faced by the subjects of the Kadiri court in East Java during the later twelfth century. Provisions recorded in the Javanese-Balinese law book *Pūrwādhigama* (9a.4; see Zoetmulder 1982, p. 1505), presumed to have been based on Majapahit law (Pigeaud 1960–63, vol. 4, pp. 368–69), suggest that by the fourteenth century, debtors were again expected to be able to repay their debts within a period of eight years.

These repayment schedules normally applied to those whose debts were contracted voluntarily, through the borrowing of money. Those suffering from involuntary debt were treated differently in a number of the regulation lists, both in Bali and in Java. In some cases no time limit for repayment was specified, as in Dawan in Bali (Appendix C.8). Other inscriptions, such as Dausa (Appendix C.10), stipulate repayment in accordance with the law. The mid-eleventh century Javanese charter of Kambang Śrī merely required respectable debtors who had fallen on hard times to pay by such instalments as they could manage (Appendix C.6).

Interest on Loans and Fees Levied on Debt Repayment

The debt-repayment schedules of Balinese tax charters appear, at first glance, to have been harsher than those in Java. The difference may, however, be accounted for by divergences in the regulations imposed on tax-grant communities on the two islands. One of the privileges regularly granted to Balinese communities that supported religious foundations was the right to annul profit gained from loaning money. Balinese debtors taking refuge in such communities were required to repay only the principal (*mula*, *wwit*) of their debts. Javanese tax charters do not include this provision. The right of the lender to receive profit from a loan appears to have been balanced by the longer debt-repayment periods allowed to debtors seeking sanctuary in Javanese tax-grant communities.

In Java, from the ninth century onwards, profits on substantial loans seem normally to have been taken either in the use of pawned land, or in monetary interest, or in a combination of the two (see Mpu Mano, Appendix B.2). In the ninth-century Kurungan inscription from Java (Appendix A.2), the word used to signify profit on a loan is *panganak*, derived from the indigenous term *anak* (“child”; see Zoetmulder 1982, p. 72). By the late twelfth century in Java, the Sanskrit equivalent — *putra* — was in use (see Duhan i Jaring, Appendix C.22).

In Bali, the rule that debtors need repay only the principal of their debt remained central to debt-repayment regimes throughout the period under survey. In the earliest tenth-century charters it was the sole standard rule, and even in the later, more elaborate, sets of regulations it remained the most important (see Appendix C.1–24). However, the manner in which this rule was expressed changed somewhat over time. Until the mid-twelfth century, most Balinese regulations stated that the debts of people receiving sanctuary in tax-grant communities were not to be doubled (*kalĕpihan, kadugan*). This doubling of a debt may have been either a form of flat-rate interest, or a punishment for default. The fact that relief from the doubling of debts was a privilege that regularly accompanied tax-grant status suggests that it was viewed as onerous.

By the middle of the twelfth century in Bali, an additional element had been added to the regulations. Tax charters of this period granted debtors relief not only from the need to pay double their debt, but also from the need to pay periodic interest (*kālāntara*). The mid-twelfth century Kuñjarāsana inscription (Appendix C.19) distinguishes between debtors who are members of the community, and debtors seeking refuge in the community who are dependent (*raray*) *kawula*-servants in debt to creditors (*ahutang pradhana*). Members of the community were relieved of the need to repay double their debts. Sanctuary-seekers were relieved of the need to pay either double the debt or periodic interest. References to periodic interest also appear alongside references to doubling of debts in the Buwahan and Gobleg Pura Batur inscriptions of the late twelfth century (Appendix C.23–24).

The appearance of the term *kālāntara* in twelfth-century Balinese inscriptions may reflect some elaboration in the local treatment of debt under the influence of Indian law codes. However, this elaboration had probably occurred some time before its first appearance in Balinese inscriptions. The Sanskrit term *kālāntara* had, by this time, already acquired a new meaning in the Old Javanese legal language (Gonda 1973, p. 604), just as the Sanskrit term *putra* ("child"), used in Java at much the same time, had apparently already acquired its local extended meaning (Gonda 1973, p. 278). The later Javanese-Balinese *Kuṭāramānawa* law code combines the two terms, in the form *kālāntara putra*, to refer to periodic interest payments on monetary debts. The fact that these two Sanskrit terms had, by the twelfth century, already been assimilated, along with their new meanings, into the legal language of Java and Bali suggests that at least

some of the regulations connected with credit and debt appearing in later law codes had already been formulated.

Although debtors granted sanctuary in Balinese tax-grant communities were relieved of the need to pay interest on their debts, this cancellation of interest was balanced by other costs imposed on them. Balinese inscriptions of the mid-eleventh century onwards indicate that voluntary debtors who sought sanctuary in tax-charter communities were expected, if required, to give service to the chief priest or overseer of the religious foundation to which the community was connected. There was, in addition, a set of fees involved. The term *pañji* ("banner") appeared in inscriptions in the mid-eleventh century (Dawan, Appendix C.8), and continued to appear sporadically throughout the surveyed period. *Pañji*, in this context, referred to fees or services owed to local officials (Hinloopen Labberton 1934, p. 545), specifically in connection with their handling of the debtor's case. The mid-eleventh century Dawan inscription (Appendix C.8) directed that these payments be divided into three parts, one third going to the community, and two thirds going to the religious foundation. The *pañji* payments were described in the late twelfth-century Buwahan inscription (Appendix C.23) as periodic, and they included a number of fees levied by the temple. The fact that this last charter waived *pañji* fees for debtors seeking sanctuary suggests that they may have become as much a burden as interest payments.

Creditors and Loan Contracts

In the middle of the eleventh century, references to creditors began to appear in Balinese charters (Dawan, Appendix C.8). The common term for lender or creditor in Balinese inscriptions written in Old Javanese was *pradhāna* or *pradhana*, possibly a local conflation of the Sanskrit terms *dhana* ("wealth") and *pradhāna* ("originating principle") (Gonda 1973, p. 277). Creditors apparently had the automatic right of mastery over defaulting debtors who could not repay the doubled debt, unless the debtor successfully sought sanctuary.

Two Balinese inscriptions of the later twelfth century — Kuñjarāsana (Appendix C.19) and Buwahan (Appendix C.23) — also mention *tulistulisan pihutang*, loan contracts or records of debt-claims. The regulations in both inscriptions deal with problems arising from the theft of these written contracts. This is a theme that recurs later in such law codes as the *Kuṭāramānawa* (Jonker 1885, articles 74, 105).

Debt and the Legal Codes

By the end of the first millennium A.D., a number of Sanskrit terms had been absorbed into the legal languages of Java, Bali, and Luzon. The meanings of some of these terms had already been adjusted to meet local requirements, just as certain Indian monetary weights had been recalibrated to fit into the local system of weights and measures. The fact the same terms — used and spelled in the same way — are found in some of the earliest inscriptions from Java, Bali, and Luzon suggests a wide dissemination at an early date of locally written texts based in part on imported Indian codes.

Inscriptions of the period from both Java and Bali contain occasional references to law codes and legal traditions. Some of these refer to local practices or customary law. The term *tarakrama* — a compound of the Old Javanese *tara* ("manner") and the Sanskrit *krama* ("custom") — appears in twelfth-century documents in connection with debt-repayment schedules (Gobleg Pura Desa III, Appendix C.17; Kuñjarāsana, C.19).

A few inscriptions, however, make references to specific law books, all of which bear Sanskrit titles. The Old Balinese-language Sembiran B inscription (Goris 1954, no. 201), issued in 951 A.D., mentions two law codes, the "Ten Precepts" (*Da[ś]atant[r]a*) and the "Judgements of Manu" (*Manawaguṇadoṣa*). The mid-twelfth century Balinese Kuñjarāsana inscription (Appendix C.19) mentions the *Ūttara Widhi Bālawan* ("Ultimate Powerful Law"), a title couched in localized Sanskrit. The mid-fourteenth century Javanese Jayasong inscription states that judges consulted examples from the law codes (*śastradṛṣṭa*), customary law (*deśadṛṣṭa*), analogous examples (*udāharaṇa*), and past teachers to get the essence of the sacred precepts (*āgama*) of the holy *Kuṭāramānawa*, or "Axe of Manu", and other law texts (Pigeaud 1960–63, vol. 1, pp. 104–07; vol. 3, pp. 151–55).

A body of codified law must thus have been in existence in Java and Bali before the turn of the second millennium. These law codes were clearly based on a local understanding of Indian law books, including at least one version of the *Mānavadharmaśāstra*, or "Laws of Manu". By the fourteenth century, the most important of the law codes in use in Java, judging by the prominence given to it in the Jayasong inscription, was the *Kuṭāramānawa*. Versions of this Old Javanese-language text, also referred to as the *Adigama* or *Āgama* (see Pigeaud 1967, pp. 304–08; Hooker 1978, p. 39), have been preserved in Bali (Jonker 1885; Slametmuljana 1967).

If the contents of the surviving Javanese-Balinese law texts bear some resemblance to their earlier versions, then they may be useful in illuminating

areas of the law on debt not covered by the inscriptions. A preliminary reading of the *Kuṭāramānawa* (Jonker 1885) suggests that this is, indeed, the case. The text covers a broader range of subjects than the earlier inscriptions, but where they overlap, they are treated in the same manner.

Inherited debt and its clearance is the focus of a number of articles in the *Kuṭāramānawa*. The actions of children, whose clearance of their parents' debts were recorded in inscriptions, were entirely in accordance with the provisions of the later law code (Jonker 1885, articles 77–80). The importance placed in some inscriptions on documentation of debt also finds parallels in the law text — whether in relation to debt-clearance, or to loan and pawn contracts (Jonker 1885, articles 72, 81, 83, 110, and others), or concerning the safeguarding of such documents (Jonker 1885, articles 105, 106, 110).

Pawning was another area of concern both in inscriptions and in the *Kuṭāramānawa*. According to the later text, the rule concerning pawned property was that if a certain length of time elapsed following the pawn, without repayment of the principal or payment of the agreed interest, the pawn lapsed, and ownership was transferred to the creditor (Jonker 1885, articles 101, 117; Slametmuljana 1967, p. 93). The only exception to this rule was pawned land, since ownership of land never lapsed, unless the pawner both lacked documentation and allowed more than twenty years to pass in silence following the transaction (Jonker 1885, articles 100, 268). The fourteenth-century Javanese Jayasong inscription is important not only for its direct reference to the *Kuṭāramānawa*, but also for its confirmation, by implication, of the rule that unlike other types of property, ownership of land in pawn did not automatically lapse, even after three hundred years. The case was lost, not because of the length of time involved, but because of the lack of previously witnessed claims of ownership, and the absence of documentary proof of the pawn transaction.

The *Kuṭāramānawa* states that, in respect to debts in money, if the debtor did not pay periodic interest (*kalāntara*) each year to the creditor, then after six years, the debt was automatically doubled (Jonker 1885, articles 73, 104). The law book further states that if the doubled debt was not paid, then the debtor became the servant (*kawula*) of the creditor (*pṛdana*) (Jonker 1885, article 151). This may explain the regular reference to the doubling of unpaid debts in Balinese inscriptions. It further suggests that the distinction, in twelfth-century inscriptions, between those who were granted relief from periodic interest, and those granted relief from the doubling of debts may have depended partly on the length of time

elapsed following the original loan. It also confirms the link between unpaid debt and servitude.

Repayment schedules, similar to those in the inscriptions, also appear in later law codes. The *Pūrwādhigama*, a Javanese-Balinese law book of Old Javanese origin connected with the *Kuṭāramānawa* (Pigeaud 1967, vol. 1, p. 307), states that insolvent (*rangrang*) debtors who seek and are granted refuge "shall incur repayment [of their debts] by installments of two *mas* per *tahil* [each year]" (9a.4; Zoetmulder 1982, p. 1505). This passage bears a remarkable resemblance to one appearing in the eleventh-century Javanese Kakurugan inscription (Appendix C.5). The *Kuṭāramānawa* itself, like the earlier Balinese inscriptions, states that the repayment schedule of some debts should be one quarter of a *tahil* per year (Jonker 1885, article 167).

Treatment of those in debt bondage is also the focus of a number of articles in the *Kuṭāramānawa* and related texts. The fact that *kawula*-servants, according to the later law books, could be pawned (Jonker 1885, articles 100, 118), or even sold under certain conditions (article 273), suggests that the position of those in debt bondage could be close to that of a slave. The provision in the mid-eleventh century Malĕnga inscription from Java (Appendix C.7), that a master might have sexual relations with a [female] debt-servant in lieu of repayment of the debt, also appears in the law books (Slametmuljana 1967, pp. 69, 114). The inscriptions and the law books also agree, however, that those in debt bondage had the right either to buy themselves out, or to be bought out by others (Jonker 1885, articles 166, 172, 270).

Debt and Its Consequences in Early Java and Bali

The inscriptions discussed above cover two main areas relating to debt: the financial dealings of the elite, and the hard cases involving insolvency and debt bondage. Most cases involving debt must have fallen between these two extremes. The early records preserved on permanent materials say little about the small debts of members of farming communities, and nothing about the more substantial credit transactions of merchants located in the ports. The contents of later Javanese-Balinese law books provide some assistance in filling this gap. Certainly they have a good deal to say about debt. About a fifth of the articles in the *Kuṭāramānawa* address the problems surrounding debt and its consequences directly, and others do

so indirectly. This text also covers the subject in far greater detail than does its putative Indian inspiration, the *Mānawadharmaśāstra*, in which regulations concerning debt are confined to a handful of articles (Doniger and Smith 1991, pp. 156–57, 166–72).

Both the early inscriptions and the later texts give the impression that in early Java and its sphere of influence, there were many opportunities for falling into debt. Although debt took a number of forms in traditional societies, the early monetization of the economies of states on Java and Bali (Christie 1996, 1998) meant that at least some of the debt that affected inhabitants of those states, at all levels and in most areas, was debt in money. Monetary transactions required a regulatory framework, and it appears not only that such a financial and legal framework had been developed at an early date in Java and Bali, but also that it was communicated to other societies within their sphere of economic influence, even those as distant as Luzon. This framework appears to have remained remarkably stable over a number of centuries, until the influences of Islamic and European law precipitated changes.

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3

"Following the Debt": Credit and Debt in Southeast Asian Legal Theory and Practice, 1400–1800

Peter Boomgaard

It must have been fairly easy to get into debt in early modern Southeast Asia. At least, this is suggested by the fact that slavery, in the broadest sense of the term, was such a widespread phenomenon. While not all forms of slavery were related to indebtedness (war captives being the main exception), generally speaking it could be argued that debt was the main road to slavery.

It is convenient (and conventional) to distinguish between three types of bonded people: fully fledged slaves, whose status is hereditary and who can be bought and sold; serfs, who are tied to the soil and have certain (servile) obligations to a patron other than the ruler, but who cannot be bought or sold; and people in debt bondage (also called debt peonage), who likewise cannot be bought or sold. In principle, debt bondsmen and women can redeem themselves, subject to certain limitations. Alas, it is not always easy to establish what type of bondage is meant in specific cases in the historical record — or even in legal texts.

People could become (debt) slaves in any of the following ways. A debtor could become the debt bondsman of a creditor in order to work off the debt; sell himself — or herself, or relatives, into slavery (usually when faced with the threat of imminent starvation); be pawned to a creditor by someone else and not be redeemed; or be unable to pay a fine or compensation money. In all these cases indebtedness — or, more generally, poverty — was the root of slavery. Debt or poverty was sometimes also involved when a person became a glebe slave (in the Southeast Asian context, a temple or pagoda slave), dedicating him- or herself to a religious

institution. However, other (religious) motives might also be involved in such a case.[1] The golden age of glebe slavery seems to have been over by the fifteenth century. Finally, people became slaves or serfs if taken captive by a conquering army or by raiders (often pirates), or if they were born in slavery.[2]

In early modern Southeast Asia, people were required to give advances (credit) if they wanted anything made or delivered. This strongly suggests that most people — even artisans, who were presumably not among the poorest strata of society — had very few reserves, and could easily become indebted. Linked to this tendency, it appears, was the fact that commerce was fairly extensive, but only partly monetized. Although the older historiography certainly exaggerates the barter element in economic transactions in Southeast Asia prior to the colonial period, and money circulated in many states at an early stage, monetization was far from ubiquitous. Consequently, money was scarce, and therefore expensive, and people in need of cash could be expected to pay high interest rates.

Legal Traditions in Southeast Asia

This chapter investigates traditional legal frameworks for relations of credit and debt in Southeast Asia, with an emphasis on Indonesia, during the early modern period (from the fifteenth to the nineteenth century).[3] As I am neither a student of law nor a legal historian, it is with considerable trepidation that I have undertaken this task. Fortunately, I have had a number of excellent existing studies at my disposal, so my main worry is that I may have misunderstood or misrepresented them.

My materials are indigenous legal regulations regarding credit and debt, but I hasten to add that the term "indigenous" as used here covers diverse legal traditions. I am mainly interested in laws written down at the behest of indigenous Southeast Asian rulers prior to the establishment of the European colonial states. Such laws usually combine indigenous (for instance: Javanese, Thai, Burmese) rules and principles with notions derived from Indian ("Hindu") law. In the case of Vietnam, a true blend of Vietnamese and Chinese elements is encountered. I will call this type of legislation, usually dating from (or at least, containing many elements from) the pre-modern period, traditional law or the king's law. In what follows, then, traditional law should not be taken to mean unwritten customary law (Indonesian: *hukum adat*) — although the two were certainly not unrelated. Owing to lack of time, I have not examined references to credit and debt

in customary law collections. From the fifteenth century, Muslim elements begin to appear in some of the laws in use in the Malay peninsula, the Indonesian archipelago, and the Philippine islands. Generally speaking, however, specialists in this field, such as Hooker (1984), are not prepared to use the term "Islamic law" in such cases.[4]

Interest Rates in the Indonesian Archipelago

A good starting point appears to be the regulations regarding interest payments on debts and loans. Article 69 of the early sixteenth-century Javanese *Agama* law code insists that a contract between lender and borrower must specify the interest rate — and, conversely, that the "enjoyment" of interest is proof of the existence of a debt in the absence of a "debt-letter".[5] The same article stipulates that a debtor who normally pays interest every year, but then stops paying (for a whole year), has to repay the debt twofold. This implies, if I am not mistaken, an interest rate of 100 per cent.

It would seem that the interest rate depended on the type of debt and loan involved. Article 77 of the *Agama*, dealing with the pawning of large livestock (water buffaloes and cattle), states that the loan against which such animals have been given as pawn must be repaid twofold after four years. This would imply 100 per cent interest in four years or, in the absence of compound interest, twenty-five per cent per year. Article 80, dealing with rice debts, stipulates that the rate of repayment is "onefold" each year with a maximum term of five years, which would imply 400 per cent interest in five years, or eighty per cent (non-compound) interest per year.[6] Presumably the difference between the two rates derives from the presence or absence of a pawn. The link between indebtedness and slavery is explicitly formulated in the *Agama*:

> Concerning a person with a debt who does not pay the interest to the creditor; his debt increases until it becomes double. If he still does not pay, concerning such a person: 'he must follow his debt' and becomes a bondman.
>
> (Article 161, in Hoadley and Hooker 1986, p. 286.)

So if my interpretation of article 69 is correct, and an interest rate of 100 per cent was not unusual, then a debtor could become a bondsman

in just one year if he failed to pay any interest — a situation which was probably common after a bad harvest, and which must have led to widespread debt peonage. The same article states that if the debtor-bondsman dies (without, presumably, having discharged his debt), then his children are obliged to repay their father's debt twofold.

We find similar statements in some of the king's laws from Bali. Article 367 of the *Bali Agama* decrees that if the principal debt has been repaid and only interest remains outstanding, then this interest can be regarded as part of the principal. According to article 368, a debt is doubled if the debtor cannot repay it on the day agreed upon, while the interest keeps accumulating. This seems to indicate compound interest (Hoadley and Hooker 1986, p. 321). Another traditional Balinese law code, the *Kutara Agama*, states that the rate of interest due upon redeeming a debt is one-eighth (article 138), but specifies no corresponding repayment period. Article 153 states that a rice debt increases fivefold after five years, which is the same rate as that mentioned in the Javanese *Agama* (Hoadley and Hooker 1986, p. 335).

Data on the interest rates actually paid by indigenous people in early modern Java and Bali are extremely scarce. In fact, I know only one source, dated 1805, from the regency (*kabupaten*) of Buitenzorg (now Bogor) in West Java, which supplies such information. It consists of a list with 672 entries, detailing the debts owed to twenty-six Chinese moneylenders by named (mostly Sundanese) debtors. If wet rice fields had been provided as collateral, the interest rate was forty per cent or more. For loans on the security of buffalo, fifty per cent was the usual rate. In the few entries specifying an interest rate on an unsecured loan, on average this was also fifty per cent. The total registered debt (and it is unlikely that there were no other debts) was 13,550 *rijksdaalders* (*rds*, rix-dollars).[7] There must have been roughly ten per cent of the regency's "national income". The average debt per person stood at *rds* 22, the redemption of which would have required about ten per cent of the gross income of an average landowning household over a period of ten years (Boomgaard 1986). As this describes the situation at the tail end of our period, and close to a big city (Batavia, now Jakarta) with a strongly monetized economy, I assume (but do not know for sure) that the interest rates mentioned here were on average lower than their equivalents in other places or at earlier times.

Late eighteenth-century Malay-language law codes from Bengkulu, in southern Sumatra, also provide some relevant information. These codes indicate that an annual interest rate of 150 per cent was permissible until

1779, when the maximum legal rate was lowered to fifty per cent per year. According to a contemporary commentary, this applied to loans of less than 100 reals; the maximum annual rate for larger sums was only ten per cent. The 1779 interest rate restriction appears to have been a British intervention, designed to curtail the activities of "Bengali Hindu" creditors who had established themselves in Bengkulu under the British umbrella.[8]

Interest Rates in Other Areas

A quick *tour d'horizon* of other Southeast Asian countries, starting in Burma, yields the following results. The Burmese *Dhammathats*, the codification of which commenced between the late twelfth and the middle of the thirteenth century, ruled that the amount of interest could never be greater than the principal. This rule is also found in the *Laws of Manu*, the oldest legal code of India. In Burmese traditional law, the recommended interest rate varied according to the social class of the debtor. The poorest class of people were supposed to pay one per cent per month, the richest five per cent, or respectively twelve and sixty per cent (non-compound) interest annually. However, higher rates were apparently also allowed:

> Debts were, in general, repayable after six months according to the *Dhammathats*. They could be repaid at any time before that. If a debt originally made without interest was unpaid for a year, double the amount was collectable. If it was left unpaid for four planting seasons, the amount shall be quadrupled.
>
> (Okudaira 1986, pp. 114–15.)

This implies annual interest rates of 100 per cent after one year and 150 per cent after two years, assuming two planting seasons per year. The latter percentage was obviously at odds with the abovementioned rule that the amount of interest could never be larger than the principal. An article by Saito (1997, p. 162) on Burmese rural life around 1800 provides a glimpse of debt and credit in practice.[9] In a collection of what are known as *thet-kayits*, various kinds of written contracts, three documents were found referring to loans in rice without security/mortgage. Here a high interest rate of fifty per cent per season, or 100 per cent per year, was charged.

The last version of the Thai *Thammasat* was compiled in 1805 on the basis of much older elements. The law stipulated an interest of 0.125 baht per month on a loan of 4 baht, or 37.5 per cent per year, as a ceiling. Higher rates — 75 to 150 per cent per year — were allowed only on loans with a term of one month, and compound interest was forbidden, "since it may give difficulty to the people of the land" (Ishii 1986, p. 189).

The most important legal code of early modern Vietnam, the *Quoc Trieu Hinh Luat* (QTHL), was compiled in the fifteenth century. This once more stipulates that total interest may never exceed the principal, a clause that is also to be found in the main contemporary Chinese code. In addition, the QTHL establishes a maximum interest rate of thirty per cent per year. In China at the same period, by comparison, the maximum legal rate was thirty-six per cent per year (Hooker 1978, p. 19; Nguyen and Ta 1986, p. 476).

Finally the fifteenth-century law code of Malacca should be mentioned: the *Undang-Undang Melaka*, which was clearly influenced by Islam. It is well known that the payment of interest (*riba*) on a loan is forbidden for Muslims — a state of affairs reflected in the title of Chapter 30 of this law code, "Laws Pertaining to Sale and the Prohibition of Riba (Usury)". Strangely enough, a reading of this same chapter reveals that it does not deal with *riba* at all. In Chapter 33, dealing with the rules regarding the supply of capital, we do read that "a borrower of capital is not allowed … to repay more than the principal" — but also that if the borrower's business is profitable, this rule may be waived. Finally, in Chapter 43, the code states that "with regard to people who are in debt, however long, the creditor can only claim the double amount according to custom" (Liaw 1976, pp. 135–39, 147, 167). So much for the Muslim anti-*riba* rule!

Interest Rates in Comparative Perspective

Concluding the sections on interest rates, we can say that the lowest rate encountered in the early modern legal sources pertaining to Java (and Bali) is twenty-five per cent per year, and the highest, 100 per cent. In the case of a loan at twenty-five per cent, surety was provided in the form of livestock. If the (probably) British-inspired rate of ten per cent for large sums in Bengkulu is discounted, then the lowest interest rate to be found elsewhere is twelve per cent per year in Burma. This, however, seems to have been unusual. The lowest rate in Vietnam was thirty per cent per year,

and in Siam (Thailand), 37.5 per cent. In the literature that I have seen, it is not clear whether such relatively low rates applied only if some form of collateral was present, as appears to have been the case in Java. The highest figure encountered in the king's laws in Burma or Siam was 150 per cent, albeit for short-term (one month) loans (in Siam). The relatively low rates mentioned in codes from Burma and Vietnam were probably influenced by a principle, found in both Indian and Chinese law, that total interest can never amount to more than the principal. This rule is also to be found in the Laws of Malacca.

Apart from the Burmese exception, then, the lower interest rates, at least as represented in legal texts, all seem to gravitate around the thirty per cent mark. This is high according to pre-modern (and modern) Western standards. For instance, in the Dutch Republic in the seventeenth century, rates usually fluctuated between four and five per cent for the more reliable participants in monetary traffic, including the state. It is also high in comparison with the interest rates obtaining among Europeans in seventeenth-century Batavia, who usually had to pay between six and nine per cent. Similar rates applied among Europeans in other VOC (Dutch East India Company) towns such as Amboina and Banda (Moluccas). However, when Europeans in Java lent money to the Chinese, they charged more: between eighteen and thirty-six per cent around 1640, and between sixteen and thirty per cent a century later. In Banten (West Java) during the greater part of the seventeenth century, the interest rate on loans between the VOC and the crown, both of which presumably had a high credit rating, was twenty-four per cent. The same was true in Siam (Thailand) at the same period.[10]

All this seems to demonstrate that the lowest legal interest rates in areas outside European control were approximately the same as the actual rates paid by urban merchants, nobility, and princes. The rates charged by Europeans to Chinese borrowers in Java, at between sixteen and thirty-six per cent, were similar. It should be noted that by Asian standards, even the standards of modern Asia, these are not absurdly high figures. In a recent article in *The Economist* (21 August 2004), management guru C.K. Pralahad is quoted as saying that the poorest of the poor would be well served if they could borrow money at twenty per cent per year. Nevertheless it is also clear that people in early modern Southeast Asia could easily descend into debt peonage, particularly when the higher rates quoted here applied, which was often the case when loans were made without collateral security.

Fines and Compensation in the Indonesian Archipelago

A characteristic feature of old Javanese law was that what we would call public law (in this case, criminal law) and private law were not strictly separated. It is quite common to find in a law dealing with theft, or damage to property, or marriage to a person who is not the bride price giver, the stipulation that a fine must be paid to the ruler of the country, as well as compensation perhaps amounting to double or treble the value of the stolen, damaged or unreciprocated goods to the injured party. Such payments must frequently have led to indebtedness, the more so as many crimes were probably committed by people who were already poor to begin with.

In the event of a murder or manslaughter, the punishment exacted depended on the status of the person killed. If the victim was a bondsman or bondswoman, the culprit had to pay twofold compensation to the master of the debt-slave, and in addition the "blood price" (for the expiation of the sin/guilt of killing), presumably to the relatives. If the victim was a free man or woman, a fine had to be paid to the prince and a blood price as compensation to the relatives. It must be assumed, again, that such payments could easily plunge people into financial difficulties, and hence into bondage.

Although the *Agama* regards a fair number of crimes as punishable by death, it also quite often stipulates that if the culprit begs for mercy, the prince may commute his or her punishment to a fine. Such fines, however, were quite large. Theft by night, in principle, warranted the death penalty, but the thief could be reprieved if he or she paid a fine of 40,000 copper coins (*pisis*, *picis*) — a considerable sum. The *Agama* states unequivocally that unpaid legal fines lead to bondage.[11]

Since prisons were, as a rule, a European introduction in Southeast Asia, it is not surprising that pre-modern Southeast Asian law relied on other sanctions: fines, compensation, and corporal punishment, with the death penalty as the extreme example. It is tempting to suppose that the death penalty was the oldest option in the statute book, and was increasingly replaced by fines as Javanese society, including the Javanese royal courts, became more and more commercialized.

A surviving law code from Banten in West Java, consisting of regulations dating from the seventeenth and eighteenth centuries, prescribes an array of very stiff fines. The heaviest is a fine of two million *picis*, for the offence of quarrelling or fighting in the quarters of royalty, nobility, or

high officials. These *picis* were lead coins of very low value, but even so two million of them were equivalent to 700 Spanish reals or 2,000 Dutch guilders, probably about ten times the annual income of a landowning farming household. Most fines, admittedly, were much lower, but would still have represented considerable amounts of money for ordinary people. For instance, such an innocuous activity as kissing in public carried a fine of four reals if committed during the daytime, and five if committed at night, which for the average peasant must have represented two months' earnings. A more typical penalty for a single offence was ten to thirty reals, although fighting with swords in the *alun-alun* (the square in front of the palace) was punishable by a fine of 3,000 reals.

Banten was a sultanate, and many of its regulations were based on Muslim law (*shari'a*). However, many of the harsher (corporal) punishments to be found in Muslim law were converted in Banten law to fines or other property-related penalties. For instance, a false accusation of adultery, punishable according to the *shari'a* by eighty lashes, carried a fine of fifteen to thirty reals in Banten. Highway robbery was punished not by crucifiction or execution by the sword, but by confiscation of property and exile or enslavement (Boontharm 2003, pp. 216, 238–39, 275).

Rather detailed information on fines paid to the ruler is available in the case of late eighteenth-century Bone, in South Sulawesi, from the diary of Sultan Ahmad as-Salleh, who ruled Bone from 1775 to 1795. Here too we find the common pattern in which the punishment for theft consists of a combination of fines and compensation, together amounting to three times the value of the stolen goods, of which one third went to the owner as compensation, and two thirds to the court, with the king and the nobility receiving a certain percentage of the court's fee. The diary also gives an example of a condemned person who failed to pay his fine and was enslaved along with his children, together with several examples of people being enslaved outright as punishment for their crimes.[12]

Fines and Compensation Elsewhere

When we look at other areas, it appears that the Burmese *Dhammathats* were sometimes more alert than the *Agama* to differences in income, or at least to gradations in status which may be assumed to have reflected differences in income and wealth.

> For defamation against a man of high status like a monk or a Brahmin by a member of the lower classes, the offender is liable for corporal punishment. Where a man of high status commits an offence himself, he shall be liable to pay compensation.
>
> (Okudaira 1986, p. 111.)

However, Burmese traditional law was inclined to prescribe hefty compensation for a wide range of crimes, regardless of class or status. In a chapter on rape, compensation payments of 100, 200, and 300 tickals of silver are laid down, in addition to (unspecified) criminal punishment by the state. So here again we find a mixture of private and public law (Okudaira 1986, p. 111).

The same kind of mixture is also encountered in the Thai *Thammasat*. If a person is injured in a quarrel, the pecuniary punishment consists of two elements: compensation to be paid to the injured party, and a fine to be handed over to the royal treasury. In the case of murder, the "fine" to be paid consists of twice the body price, which varies with the status/rank (*sakdina*) of the victim. Half of the fine goes to the royal treasury, the other half to the relatives of the deceased (Ishii 1986, pp. 183–84).

Vietnamese traditional law was much more interested in the regulation and protection of private interests — the concerns of private law — than was traditional Chinese law, which tended to place an emphasis on criminal matters. This is reflected in the Vietnamese stipulations on property loss or damage, according to which convicted culprits are obliged to pay two types of compensation: compensatory damages in relation to the economic loss, and punitive damages (paid to the ruler) in cases of malicious or negligent action. This resulted in total payments which could amount to up to nine times the value of the damaged or lost property (Nguyen and Ta 1986, pp. 476, 480).

The *Undang-Undang Melaka*, finally, appears to have been less inclined to commute corporal and capital punishment to fines. Indeed, it contains a curious section (44.6) on the theft of slaves from rulers, or from other high ranking persons, in which the reverse principle applies: inability to pay a fine results in capital punishment.

> If a slave of the ruler is stolen by someone, and (later) he (the slave) is discovered, he (the thief) is to compensate (the value) of the slave in twice sevenfold; even if he (the slave in question) belongs to a

> prince who is not yet crowned, it will be once sevenfold only. With regard to the slave of a minister, it is fivefold, and if it is the slave of a court officer, it is threefold. If it is the slave of the rank and file, it is twofold. If the thief is bankrupt, he shall be sentenced to death.
>
> (Liaw 1976, p. 173.)

In a number of instances, the *Undang-Undang* appear to juxtapose local law and Muslim law, presumably leaving the choice between the two to the judge:

> Whoever beats his slave to death has violated the law of God (and) shall be killed on the order of the ruler or he shall be fined 5¼ tahil. If someone's slave is beaten for his vulgar language and consequently dies, (the killer) shall be fined the full value of the slave, but according to the law of God, he who kills shall be killed in turn.
>
> (Liaw 1976, pp. 171, 173.)

The combination of fine plus compensation, so common elsewhere, would appear alien to the *Undang-Undang Melaka*. Possibly, however, the rather frequent references in this code to twofold compensation for losses or damages imply that the judge received half of the compensation payments.

Generally speaking, the *Undang-Undang* seems less inclined than other Southeast Asian legal texts to prescribe heavy fines and other financial penalties. Debt bondage as a result of legal action, therefore, may have been less frequent in Malacca than in other parts of the region. However, there were other roads to slavery: criminals could surrender themselves and become royal slaves, thereby saving their lives, supposedly in cases in which the injured party would have had the right to kill them on the spot. (Liaw 1976, p. 41.)

Fines and Compensation in Comparative Perspective

On the subject of fines and compensation in relation to slavery in Southeast Asia as a whole, Anthony Reid has summed matters up very aptly and much more elegantly than I could have done:

> The great majority of crimes were punished by fines or by stiffer penalties which were commuted to fines. ... In cases of theft or injury, the condemned person typically had not only to make restitution to his victim but also to pay a similar amount to the king or his judicial representative. The condemned person unable to pay the fine became a slave, not a prisoner. … The frequency with which slavery resulted from relatively minor crimes, especially against property, led outsiders to view the law as very strict in this respect ….
>
> (Reid 1988, pp. 141–42.)

I am inclined to add that the *Undang-Undang Melaka* was an exception to all this — no doubt partly because it was influenced by principles of Islamic law, although as we have seen, it was eclectic and syncretic in this respect. The laws of the sultanates of Banten and Bone appear, in the matter of fines and compensation, to have been cast in a more traditional Southeast Asian mould. It would also appear that the way in which public and private law are intertwined in many of the regulations we have been dealing with here is not a feature of traditional Indian and Chinese law, but a distinctive element of Southeast Asian legal tradition.

The Registration of Debts

How were debts, and terms of repayment, recorded for reference in the event of a subsequent dispute? Under modern Dutch law, a verbal contract is technically as binding as a written one. Nevertheless in practice almost everyone is required to sign a piece of paper if they want to borrow money, usually from a bank. But banks were virtually unknown in Southeast Asia prior to 1800, and most people were illiterate.[13] So what do the early modern Southeast Asian law texts say about the registration of debts?

Article 69 of the Javanese *Agama*, besides prescribing bodily purification and the choice of an auspicious day for the extension of the loan, also insists on a written document — the so-called debt letter — and on the presence of witnesses. An agreement on interest payments, too, is essential. The need for a debt letter is also mentioned by the *Bali Agama*, and witnesses and debt letters are encountered in the Balinese *Kutara Agama* as well. According to the *Purwa Agama*, also from Bali, "three instruments" were required as evidence of a loan — witnesses, documents, and "enjoyment

of the yield" — that is, the payment of interest. "If one or more is absent, the affair must be established by the court; if all are lacking, it is given over to ordeal."[14]

There is equally reliable evidence that registration of debts was undertaken in Banten in the eighteenth century.[15] Here it was the Court of Justice which registered the borrowing and repayment of money, and also recorded debt transfers. Registration of loans is recommended in the Qur'an, but the tradition of debt registration in Java pre-dated the spread of Islam on the island. The smallest sums registered were debts of ten to twenty Spanish reals, equivalent to about six months' income for a landowning peasant. The Banten court register offers us a rare and valuable glimpse of the financial practices of indigenous Indonesian people in this period. We discover, for instance, that money could be repaid with commodities, as happened in the following case.

> On Saturday, 4 Jumadilakhir, Wau year, 1169 H (6 March 1756), the judge conveyed to Badarudin, son of Kyai Abdul, two bracelets, two four-wheel carriages and earrings for returning two debts to the amount of fifty Reals and twenty-one Reals.
>
> (Boontharm 2003, p. 285.)

Another common transaction was the debt transfer, whereby a third party gave the money owed by a debtor to the latter's creditor, thereby becoming the new creditor. In one case, dated 1777, it was the sultan himself who became the new creditor of a free woman, after having paid her former creditor the sum of fourteen reals (Boontharm 2003, p. 286). We are left to speculate about the reason why debt transfers were so frequent; it is tempting to see them as a way of acquiring labour or, more generally, a large network of follower-dependants.

Looking briefly at the regulations elsewhere in Southeast Asia, we find that Burmese traditional law mentions witnesses and documentary evidence. However, in Burma the law appears to have been equally interested in the people who stood surety for loans. Where there was no surety, the person accompanying the debtor — that is, the witness — became the surety, a rule which no doubt caused potential witnesses to think twice about accepting that role. If in Banten the sultan sometimes took over the debt of a subject, in Burma this was an institutionalized function of the ruler:

> If a debtor is unable to discharge his debt, he shall make a petition to the king. The king may give him an advance. In three years' time the king may take back the advance.
>
> (Okudaira 1986, p. 117.)

The context suggests that by then the debtor should have worked off his debt; and that only people with certain "abilities" could appeal to the ruler in this way. The Vietnamese QTHL also insists on written contracts with witnesses. Illiterate persons who enter a contract must ask higher ranking citizens, or the officials in their village, to assist them as scribes and to serve as witnesses. In the Thai *Thammasat*, contracts in writing are only explicitly required for loans at interest rates higher than the 37.5 per cent level mentioned earlier.[16]

Surprisingly the *Undang-Undang Melaka*, despite being the artefact of a rather commercialized society, does not mention written contracts when dealing with borrowing and debts (although the chapter covering trusteeship does mention both contracts and witnesses).[17] I can think of three explanations for this remarkable omission. The first is that the drawing up of a loan contract was so much a matter of course to the people of Malacca that there was no need to make it a legal provision. However, for a fifteenth-century society this sounds a little anachronistic. The second possibility is that loans were regarded as being covered by the rules on trusteeship, so there was no need for separate legislation in this respect. The final possibility is that it is in fact wrong to suppose that agricultural societies were less likely to insist on contracts than mercantile ones. Perhaps it was the other way around: in agrarian societies commercial loans were so uncommon, and levels of trust in people outside the immediate circle of family and neighbours so low, that written contracts and witnesses were deemed indispensable; whereas in mercantile societies, people belonged to commercial networks of trusted traders among whom a verbal agreement was as good as a written one.

The Role of the Ruler

There is no doubt that many early modern rulers in Southeast Asia — particularly those of the larger states — were absolute monarchs, ruling over absolutist states. But was the ruler also an "Oriental despot"? Certainly this term is no longer very popular among scholars who associate it with

nineteenth-century theories (Marx, Weber), the "Hydraulic State" discussion (Wittfogel), or "Orientalism" (Said). The question I want to ask, however, is whether or not the ruler himself (or occasionally, as in Aceh, herself) was above the law. Was there a "rule of law" to which the ruler as well as his subjects were expected to adhere, or was he free to behave as arbitrarily as he wished? It is possible to have excellent regulations regarding debt, credit, interest rates, and contracts, but if arbitrary political interference means that these are mostly honoured in the breach, then they do not tell us much about the actual position of debtors and creditors.

In theory, or at least in "Indian" theory, the law had been "discovered", not made, and the role of the ruler was merely to promulgate and uphold it. In the *Undang-Undang Melaka*, the law goes so far as to stipulate the qualities required of a ruler: he has to be merciful, generous, courageous, and able to give his verdict decisively. So far so good, but if we look at the Javanese *Agama*, a different picture emerges. Article 82, dealing with pawned goods and goods which have been entrusted to another, states that their loss must be compensated. However, if they are seized by the prince (or stolen, or destroyed by fire or water), then no compensation is required (article 83). Article 8 contains a more elaborate and explicit version of this. Here it is stated that the owner of an entrusted good cannot claim damages if it is seized by the prince, stolen by a thief, seized by a powerful person, damaged by fire or water, or lost as a result of a major war; these circumstances are termed "the five calamities"! If this is how the law itself refers to the actions of the ruler, one may be forgiven for discerning elements of Oriental despotism here.[18]

Another point to be made in this context is that compared with traditional law, Muslim law was a step backwards in terms of guaranteeing of the integrity of the bodies of the ruler's subjects. Whereas the traditional laws appear to have commuted capital punishment into fines in many cases, Muslim law was more inclined to apply the death penalty and various forms of corporal punishment, including floggings, canings, and mutilation. Although not all Muslim rulers applied Muslim law to the letter, in seventeenth-century Southeast Asia the amputation of hands and/or feet as a punishment for theft was widely practised, with Sultan Iskandar Muda of Aceh its champion (Reid 1988, p. 140). As we have seen, the *Undang-Undang Melaka*, often unable to decide between fining and the death penalty, left that choice to the judge as representative of the ruler, so that the law itself encoded the uncertainty produced elsewhere by the arbitrariness of princes. We catch a glimpse of such arbitrary rule in the

diary of the Sultan of Bone, who records imposing and removing slave status at his pleasure, and with absolute authority (Omar 2003, p. 167).

Finally, it is interesting to ask to what extent rulers themselves were involved in moneylending. We know that the VOC often made loans to indigenous rulers, but it is perhaps less well known that the Company also borrowed from such rulers. We also know that some rulers, including those of Mataram (Central Java), lent money to their subordinate officials.[19] However, to my knowledge, detailed information on rulers acting as creditors to their subjects is rare. The only exception which I know of is to be found in the register of debts maintained, as noted, by the Court of Justice in Banten in the late eighteenth century. Here we encounter various people of high status lending money to what appear to be ordinary people. In addition to officials, ministers, and members of the royal family, the Sultan himself is named among them. It may come as something of a surprise that the amounts lent by these high-ranking people were relatively small, usually between ten and twenty Spanish reals. By contrast, we often find much larger amounts — in some cases, several hundred reals — being lent by commoners (Boontharm 2003, pp. 331–32). Perhaps the solution to this riddle is that although the Sultan may have been rich in terms of income, he had expenditures to match, and was frequently strapped for cash.

Conclusion and Discussion

The main points of this chapter may be summarized as follows:

1. Many traditional, pre-Islamic Southeast Asian law codes mention high rates of interest. The lower legal rates gravitated around the thirty per cent mark, the higher rates lay between 100 and 150 per cent. Even laws influenced by Islam seldom adhered to the Islamic prohibition of interest (*riba*). In the few sources at our disposal which record interest rates as they were actually charged in practice, the higher legal rates appear to be confirmed. These were very high in comparison to rates charged in the seventeenth century in Europe, in centres of European presence in Southeast Asia, and also in the trading ports of India (Boomgaard 1996). The lower levels found in the legal texts are confirmed by actual recorded rates charged by Europeans on loans to the Chinese in Java, and by interest rates in Banten and Ayutthaya (Siam).

2. It seems likely that such interest rates contributed to indebtedness and debt bondage.

3. The rules and regulations regarding theft, pawning, trust, damage, and suchlike in Southeast Asian law codes appear to have been a mixture of what, according to European law, would have been called private and public law. In most of these regulations we find that in addition to twofold, threefold, even up to ninefold compensation for property lost, stolen, or damaged, a fine also had to be paid to the ruler or his representative. We further encounter many cases of the death penalty being commuted to a heavy fine. It seems plausible that the application of these rules caused large numbers of convicted offenders to become so indebted that they were obliged to "follow their debt" into bondage.

4. The arrival of Islamic law, clearly more brutal than traditional Southeast Asian law in its lack of regard for the integrity of the human body, was associated with a reduction in emphasis on fines and compensation, and an increase in the use of corporal punishment and the death penalty. And although anti-*riba* rules were not applied with equal vigour everywhere, there was presumably a tendency in the direction of lower interest rates, although perhaps not prior to 1800. Islam also frowned upon gambling, gaming (including cockfighting), and the use of opium, and we know of examples of rulers who applied these laws to the letter, although we also know that not all of them did.[20] The result, over a long period, must have been some reduction in the prevalence of debt and debt bondage in the areas where Islam held sway (the Malay Peninsula, most of the Indonesian archipelago, and part of the Philippines).

To these conclusions can be added the observation that almost all of the legal codes examined (although not the *Undang-Undang Melaka*) emphasize written credit contracts signed in the presence of witnesses. This may come as a surprise considering the low levels of literacy in the early modern period. Of course we do not know to what extent people abided by these rules, but in view of evidence from Java around 900, registration of debts appears to have been an old tradition.[21] Around 1800 we also find debt letters in Burma, and registration of debts by the Court of Justice in Banten. We may also add that the manner in which all these rules were applied depended heavily on the person of the ruler, who, although in theory perhaps not above the law, evidently did not always feel himself tightly bound by it in practice.

This has been largely an essay on the legal theory regarding debt and credit. On everyday credit practices, regrettably but inevitably, it has had less to say. We have no idea what proportion of the population in early modern Southeast Asia was heavily indebted, and for how much. Nor do we know what percentage of the population ended up in debt peonage. However, as this chapter has shown, there are also a number of recent studies which do offer us a window on everyday reality, albeit usually from the vantage point of the ruler or the court of justice. Unmined archive sources containing relevant information are still numerous. To those who are interested in this type of study, I would therefore like to end by saying: there is much more where this came from.

Notes

1 The Burmese *Dhammathats* mentioned slaves who had become so on account of debts as one of six categories of pagoda and monastery slaves — see Ryuji Okudaira, "The Burmese Dhammathat", in *Laws of Southeast Asia, Volume I: The Pre-Modern Texts*, edited by M.B. Hooker (Singapore: Butterworth, 1986), p. 79.

2 For a recent overview of slavery in Indonesia, see Peter Boomgaard, "Human Capital: Slavery and Low Rates of Economic and Population Growth in Indonesia", *Slavery and Abolition* 24, no. 2 (2003): 83–96. For edited collections of pieces on slavery in Southeast Asia, see Anthony Reid, ed., *Slavery, Bondage and Dependency in Southeast Asia* (St. Lucia: University of Queensland Press, 1983), and Georges Condominas, ed., *Formes Extrêmes de Dépendence: Contributions à l'Étude de l'Esclavage en Asie du Sud-Est* (Paris: EHESS, 1998).

3 For a short but helpful overview of law and justice in Southeast Asia during this period, see Anthony Reid, *Southeast Asia in the Age of Commerce 1450–1680, Volume I: The Lands below the Winds* (New Haven: Yale University Press, 1988), pp. 137–46.

4 M.B. Hooker, *Islamic Law in Southeast Asia* (Singapore: Oxford University Press, 1984).

5 The *Agama* appears to have been compiled in the period between the fall of Majapahit and the rise of Mataram; it does not appear to have been influenced by Islam.

6 M.C. Hoadley and M.B. Hooker, *An Introduction to Javanese Law: A Translation of and Commentary on the Agama* (Tucson: University of Arizona Press, 1981), pp. 180, 184; M.C. Hoadley and M.B. Hooker, "The Law Texts of Java and Bali", in *Laws of Southeast Asia, Volume I: The Pre-Modern Texts*, edited by M.B. Hooker (Singapore: Butterworth, 1986), pp. 280, 282.

7 The *rijksdaalder* was a standard Dutch silver coin of 2.5 guilders, comparable to the Spanish American trade dollar (real) of the time. In terms of modern (2007) prices the *rijksdaalder* was worth about twenty-five U.S. dollars, although it should be remembered that incomes were much lower in the past than today.

[8] David S. Moyer, *The Logic of the Laws: A Structural Analysis of Malay Language Legal Codes from Bengkulu* (The Hague: Nijhoff, 1975), p. 86.

[9] Teruko Saito, "Rural Monetization and Land-Mortgage *Thet-Kayits* in Kon-Baung Burma", in *The Last Stand of Asian Autonomies: Responses to Modernity in the Diverse States of Southeast Asia and Korea, 1750–1900*, edited by Anthony Reid (Houndmills, Basingstroke: Macmillan, 1997).

[10] Peter Boomgaard, "Geld, krediet, rente en Europeanen in Zuid- en Zuidoost-Azië in de zeventiende eeuw", in *Kapitaal, Ondernemerschap en Beleid: Studies over Economie en Politiek in Nederland, Europa en Azië van 1500 tot heden*, edited by C.A. Davids, W. Fritschy, and L.A. van der Valk (Amsterdam: NEHA, 1996), pp. 502, 506. On Thailand see also George Vinal Smith, *The Dutch in Seventeenth-Century Thailand* (DeKalb: Northern Illinois University, 1977), p. 51.

[11] M.B. Hooker, *A Concise Legal History of South-East Asia* (Oxford: Clarendon Press, 1978), p. 43; Hoadley and Hooker, *An Introduction to Javanese Law*, pp. 164–65, 167, 172–73; Hoadley and Hooker, "The Law Texts of Java and Bali", pp. 278, 286.

[12] Rahilah Omar, "The History of Boné A.D. 1775–1795: The Diary of Sultan Ahmad as-Salleh Syamsuddin" (Ph.D. dissertation, University of Hull, 2003), pp. 164–65, 186–88.

[13] The level of literacy varied considerably within early modern Southeast Asia. It appears to have been relatively low in the "Malay" world, and much higher in Burma, Thailand, and Vietnam. See Victor Lieberman, "Local Integration and Eurasian Analogies: Structuring Southeast Asian History, c. 1350-c. 1830", *Modern Asian Studies* 27 (1993): 508–11.

[14] Hoadley and Hooker, *An Introduction to Javanese Law*, p. 180; Hoadley and Hooker, "The Law Texts of Java and Bali", pp. 280, 321, 335, 340.

[15] This paragraph is based on Dinar Boontharm, "The Sultanate of Banten AD 1750–1808: A Social and Cultural History" (Ph.D. dissertation, University of Hull, 2003), pp. 282–86.

[16] Ryuji Okudaira, "The Burmese Dhammathat", in *Laws of Southeast Asia, Volume I: The Pre-Modern Texts*, edited by M.B. Hooker (Singapore: Butterworth, 1986), pp. 115–17; Yoneo Ishii, "The Thai Thammasat", in ibid., p. 189; Nguyen Ngoc Huy and Ta Van Tai, "The Vietnamese Texts", in ibid., p. 477.

[17] Liaw Yock Fang, *Undang-Undang Melaka* (The Hague: Martinus Nijhoff, 1976), p. 147.

[18] Hooker, *A Concise Legal History of South-East Asia*, p. 18; Liaw, *Undang-Undang Melaka*, p. 67; Hoadley and Hooker, *An Introduction to Javanese Law*, p. 165; Hoadley and Hooker, "The Law Texts of Java and Bali", pp. 282–83.

[19] Theodore G.Th. Pigeaud and H.J. de Graaf, *Islamic States in Java 1500–1700* (The Hague: Martinus Nijhoff, 1876), p. 60.

[20] On betting and cockfights in Indonesian history, see Peter Boomgaard, "Cockfights and Quailfights in Indonesia, 800–1950: Male Versus Female Aggression", in *Les Messagers divins: Aspects Esthétiques et Symboliques des Oiseaux en Asie du Sud-Est*, edited by Pierre Le Roux and Bernard Sellato (Bangkok: IRASEC, 2006).

[21] See Christie, this volume, Chapter 2.

4
Credit among the Early Modern To Wajoq

Kathryn Anderson Wellen

Numerous nineteenth-century observers noted the tendency of the people of Wajoq, a Bugis polity in South Sulawesi, to enter the field of international trade. Missionary-linguist B.F. Matthes, for example, described them as "born traders" who "wander everywhere in the archipelago".[1] This chapter looks at their lending and borrowing practices during the eighteenth century, and at how these practices facilitated the establishment of a large-scale commercial network. Its main sources are the Wajorese chronicles, a Wajorese commercial treatise, the records of the Wajorese leader in Makassar, and Dutch criminal proceedings and commercial records. It examines the different types of loans according to the Bugis taxonomy, the manner in which loans were supposed be repaid, and what actually happened when commercial arrangements went awry. It is hoped that these examinations will show how Wajorese institutional innovations in the realm of credit maximized the commercial potential of the To Wajoq and made their extensive, highly successful trading network possible.

Wajorese Migration and Commerce

Located in South Sulawesi, Indonesia, Wajoq is bordered on the east by the Gulf of Boné, on the north by the foothills of the Latimojong Mountains, on the west by Lake Témpé and Lake Sidénréng, and on the south by the Cenrana River. Its immediate political neighbours are Boné to the south, Soppéng to the west, Sidénréng to the northwest and Luwuq to the north. This location has been credited with inspiring the To Wajoq to develop their maritime skills. The seventeenth-century Dutch Governor of Makassar

Adriaan Smout observed how the freshwater lake Témpé, the clean and deep Cenrana River, and the proximity of the sea provided the To Wajoq with diverse economic opportunities, and encouraged them to go into commerce.[2] This analysis is echoed in modern anthropological literature.[3]

Early modern Wajorese commerce must be situated within the context of Wajorese migration, which is a pervasive theme of Wajorese history from earliest times until the present. In the Wajorese chronicles, Wajoq itself is presented as a frontier. For example, the *Lontaraq Sukkuna Wajoq*, an exceptionally rich Bugis manuscript, describes it as a land of open fields, thick forests inhabited by wild boars, deer, and buffalo, and numerous lakes replete with fish.[4] A pervasive feature of the various Wajorese origin myths is that the Wajorese ruler never comes from Wajoq itself. The establishment of a settlement by roaming pioneers is a common feature of Bugis chronicles.[5] It is particularly conspicuous, however, in the Wajorese case. Furthermore, the right to migrate was encoded into the Wajorese political and legal system at an early date. For example, the Cinnotabiq Treaty, a social contract between the ruler and the people that established the foundations of Wajoq's predecessor state Cinnotabiq, explicitly guaranteed the people the freedom to enter and leave the polity as they pleased in pursuit of their livelihoods and welfare. The historiography surrounding the conclusion of the Lappadeppaq Treaty, an early treaty clarifying the position of the Wajorese ruler, also implies that the right to migrate is engrained in Wajorese society.[6]

Migration became particularly important during the late seventeenth century, after the Makassar War (1666–69) in which the Dutch East India Company (VOC), Boné, and their allies defeated Goa and those of its vassals which had remained loyal to it, including Wajoq. In addition to the war indemnity imposed by the Dutch, Boné subjected Wajoq to a variety of depredations including kidnapping, territorial dismemberment, confiscation of buffaloes and other property, and forced relocation of many skilled To Wajoq to Boné. Unable to obtain Dutch protection, large numbers of Wajorese resorted to emigration as a means of safeguarding their lives and seeking their fortunes. In addition to the To Wajoq, many other Bugis, as well as Makassarese and Mandarese, also opted to leave South Sulawesi at this time. So massive was the exodus that Dutch records mention encountering "floating cities" of such refugees at sea.[7]

Within a few short decades after the Makassar War, the To Wajoq established a far-flung commercial network including, on and around Sulawesi: Mandar, Kaili, Selayar, Buton, Muna, Wowoni, Tombuku, Lohiya

(on the island of Muna), Binongko (an island to the southeast of Buton), and Mandono (on the east coast near Luwuq); on Borneo: Pasir, Sukadana, Mempawa, Sambas, Brunei, Banjarmassin, and Berau; on Sumatra: Aceh and Palembang; in the Moluccas: Banda, Ambon, Seram, Kei, and Aru; on the Malay Peninsula: Selangor, Melaka, Kedah, Johor, and Terengganu; in the lesser Sundas: Bima (on Sumbawa) and Manggarai (on Flores); as well as Cambodia, Batavia, and Lombok.[8] Numerous To Wajoq emigrant communities were also established across the archipelago, particularly in Sumbawa, eastern Kalimantan, the Straits of Melaka, and Makassar. These overseas settlements were linked to each other, and to Wajoq itself, by family ties, commercial relations, a representative council, and a legal code. Their sense of community was so strong that Wajorese leaders were able to appeal to overseas To Wajoq to help the homeland in times of need. For example, the Wajorese community in Sumbawa provided weapons for the military campaigns against Boné fought under the leadership of Arung Séngkang ("Ruler of Séngkang", Séngkang being a component polity of Wajoq) La Maddukelleng during the 1730s.[9] Two decades later, they again lent Wajoq support during the Pénéki War.[10] The contrast between the absence of support from overseas Wajorese communities during the turbulent seventeenth century, and the repeated support provided during the eighteenth century, reflects the development of Wajorese networks over time.

Commerce was an important aspect of Wajorese networks, both because many migrants earned their living as traders, and because political and commercial interests were often combined. Wajorese leaders deliberately encouraged people to trade, and took measures to harness the benefits of commerce for the state. In the early eighteenth century a string of *arung matoa*, or principal rulers, endeavoured to use overseas Wajorese connections to rearm and refortify Wajoq. La Tenrisessuq To Timoé Puanna Denra (ruled *circa* 1699–1702) and La Mattoneq To Sakkeq Daéng Paguling Puanna La Rumpang (ruled *circa* 1702–03) ordered the leaders and people of Wajoq to purchase as many weapons as possible in Java, Sumatra, and elsewhere.[11] Wajorese rulers also recognized the potential of commerce to strengthen the economy. Indeed, commerce was so important to Arung Matoa La Tenriwerrung Puanna Sangngaji (ruled 1711–13) that he advocated it as a moral duty, proclaiming that the To Wajoq could not "stand upright" unless they sought riches.[12]

Perhaps the most ardent Wajorese proponent of overseas commerce was Arung Matoa La Saléwangeng To Tenrirua (ruled 1713–36).

La Saléwangeng specifically ordered his subjects to trade overseas.[13] He also encouraged international commerce in very real and practical ways. He ordered the dredging of the Topaceddo river, thereby providing boats with easy access to Wajoq's capital, Tosora, by way of Lake Seppangngé and Lake Talibolong. He encouraged traders and fishermen to strengthen their respective industries and required that they appoint political representatives, known as *akkajennangngeng*.[14] He also charged a prominent noble, La Tiringengng Daéng Mangngapasa (son of the earlier ruler Arung Matoa La Tenrisessuq To Timoé) with the specific duty of promoting commerce, in the common interests of the Wajoq trading community and the state.

One of La Saléwangeng's most famous accomplishments was in the realm of credit. He established a fund for the common good, which was at once a social security institution and a commercial credit bank.[15] Immediately after the harvest, La Saléwangeng sent an official from house to house collecting rice, which was used to feed the poor and guard against hunger in the event of crop failure. The proceeds of monetary taxation, too, were in part stockpiled, forming a permanent pool of collectively owned capital. Maintained to advance the political and economic interests of the realm, this was drawn upon for investment in agriculture and trade, as well as for social security purposes. Loans, for instance, were made to entrepreneurs, who were obliged to return the principal along with one third of their profits. The proceeds were used by the government for the purchase of armaments, and to improve the state mosque.[16] This institutional innovation both facilitated the business activities of Wajoq's merchants, and harnessed their economic power for the benefit of Wajorese society.

Although La Saléwangeng's public social security fund and credit bank appears to be a highly unusual institution in early modern Southeast Asia, its existence seems certain for a number of reasons. First of all, it is clearly described in Bugis historical literature. B.F. Matthes, who arguably had the best command of the Bugis language and its literary canon of any non-Bugis person in history, was convinced on the basis of indigenous sources that the fund had existed.[17] Since Matthes wrote in the mid-nineteenth century, further research has confirmed that Bugis historical literature is generally accurate. A prominent example is the pioneering work of J. Noorduyn, in which numerous events in a Bugis chronicle are shown to be corroborated by outside sources.[18] Secondly, the *lontaraq* account of how La Saléwangeng's fund financed the construction of an arsenal in Tosora derives specific credibility from the fact that the remains of the arsenal itself still exist, and have been investigated by archeologists.[19]

Thirdly, the workings of the fund as described in the *lontaraq* are in line with those of another Wajorese institution mentioned in a contemporary Dutch source. In this source, Governor Smout describes a system in which fines for legal transgressions do not benefit the ruler, but rather are kept in a common fund from which people without capital are permitted to borrow without interest. If and when they have made a profit, they repay their capital together with a "gift" to the fund.[20]

Legal and Social Systems Supporting Entrepreneurship

Outside Wajoq itself, Wajorese community leaders also strove to facilitate international commerce. Perhaps the most remarkable illustration is a historic conference of Wajorese leaders from Makassar, East Kalimantan, and Sumbawa, at which a set of laws was agreed on to regulate Wajorese commerce and navigation.[21] The codification of these laws is credited to Amanna Gappa, an energetic and capable leader who served as the *matoa* or leader of the To Wajoq community in Makassar from 1697 until 1723. The precise date at which the meeting took place is uncertain, but it was most likely close to the beginning of the eighteenth century.[22] The laws established a framework not just for managing credit and debts, but also for establishing and regulating other sorts of business relationships. The following analysis is based on the 1869 edition of the code by B.F. Matthes.[23]

Amanna Gappa's code of laws consists of twenty-five chapters, each dealing with a different aspect of commerce and navigation. Such a law code is highly unusual, if not unique, for early modern insular Southeast Asia. It also appears to have been very effective. A complementary text detailing the administration of the Wajorese *matoa* in Makassar, held in the library of Leiden University, states that things "ended badly for violators" of the code, implying that Amanna Gappa's laws were actively and successfully upheld.[24] Another indication of the effectiveness of the code is that while To Wajoq did use the Dutch legal system to sue members of other ethnic groups, there are no surviving VOC court records of cases contested between two Wajorese parties. Any disputes that did arise among the To Wajoq themselves appear to have been settled by indigenous arbitrators.

The laws are primarily concerned with fair business practices. Eight chapters (3, 7, 8, 13, 14, 18, 19, 21) relate to the borrowing and lending of money or goods, and three (2, 7, 12) to the sharing of profits and losses. One chapter (9) relates to inheritance, and another (15) to the allocation

of responsibility for the mishandling of, or damage to, goods. There are regulations promoting transparency, such as one stating that creditors have the right to make debts publicly known so that part of any money that the debtor earns can be paid directly to the creditor. Others serve to protect property; an example is the stipulation that a ship's captain who confiscates goods belonging to a third party from a slave whom he believes to be mishandling them must assume full responsibility for the confiscated goods himself. There is also a chapter (21) consisting of Amanna Gappa's personal advice regarding lending, profit-sharing, and debt-collecting. This includes the advice that it is better to let a debtor work or trade on his own account in order to pay off his debt than it is to enslave him, and that it is unwise to go into business with influential people because they may try to bend the rules.

As a whole, the code contains the most detailed information available on practices with respect to credit and debt among the To Wajoq. Chapter 7 defines five types of loan contracts, all relating in the first instance to merchandise entrusted by a creditor to a trader for sale to third parties. *Bagilaba pada* (equal sharing of profits) refers to an arrangement whereby borrower and lender share both profits and losses, even in the event of fire or piracy. *Bagilaba samatula* (literally, "sharing profits with an agreement") involves sharing profits, but not losses. *Inreng pettu* is a loan without interest or loss: the lender enjoys no profit, but the borrower is responsible for any loss. *Inreng réweq* ("loan of goods") is a loan of merchandise in which the unsold portion is returned. *Lalowang* ("commissioned goods") refers to the situation in which people sell goods on behalf of the Wajorese *matoa* (in Makassar or elsewhere) without profiting from the sale themselves.

Two further types of loan contracts, although not mentioned in the law code, are described in Matthes' footnotes on the basis of his own linguistic and anthropological research during the mid-nineteenth century. In *bagilaba tematé ponna*, literally "*bagilaba* when the capital does not die", the creditor or wholesaler, as in *bagilaba samatula*, bears no risk, but receives only one third of the profit instead of half. In *bagilaba Cina* or "Chinese profit sharing", the creditor takes ninety per cent of the profit despite bearing no responsibility for any loss.[25]

The Amanna Gappa code lists a number of circumstances in which the transporter or borrower must always take complete responsibility for the loss of goods, regardless of the form of the credit contract: when he loses them through gambling, lends them on to a third party without permission from his own creditor, or sells them and uses the proceeds to commit adultery,

buy opium, or pay for a wedding. The final chapter of the code provides further ethical and practical advice on the handling of loans, comparing a trustful credit relationship to a fruitful tree and warning that uprooting it will have dire consequences for one's descendants as well as oneself. The merchant is, therefore, advised to avoid frivolity, self-indulgence, and excessive generosity, and to take care of common business as if it were his or her own.

The detailed information on credit contracts included in the code suggests that the practices described were very common, an implication that is further supported by the success of the commercial networks within which the loans took place. The fact that the code refers to borrowed goods as least as often as it does to borrowed cash is a reminder that despite the antiquity of money in Indonesia, up to recent times much Indonesian trade, and credit, was still non-monetized.

Chapter 10 outlines procedures for the legal settlement of disputes over loans. In the event that a dispute comes before a judge, everything has to be resolved according to *adat* or customary law. Both parties must be heard, and their previous conduct taken into consideration. The code explicitly states that rank is not a consideration, which is remarkable considering that Wajoq has long been a highly status-conscious society.[26] The plaintiff speaks first, followed by the defendant. They are required to swear to the accuracy of their testimonies. Then witnesses from both sides are given the opportunity to speak, and the judge makes his pronouncement. As is usual in a court of law, violence is forbidden and the judge may not be contradicted. A more idiosyncratic feature is that debtors are specifically forbidden to deny their debts; the inclusion of this apparently redundant prohibition probably reflects the particular importance of debt, and the repayment of debt, in Wajorese society.

Chapter 13 lays out specific regulations for monetary loans. These cover five aspects of the credit relationship: the borrower, the security deposit against late repayment, the security deposit against no repayment, the person who makes the lender and the borrower aware of each other's existence, and the person who actually introduces them to each other. The importance of the borrower repaying his or her debt is emphasized. Thereafter, two types of security (collateral) deposits are identified: *sanggu*, which is forfeited if repayments are late, and *todo*, which the lender can only claim if the borrower either runs away or dies. The chapter continues with the specification that go-betweens cannot be held responsible for the debts that they have mediated. The borrower's interests are also protected.

Once a debt is repaid, then the lender has no further claim against the borrower even if the latter later becomes rich: "the root is extracted".

While most of the text of the code is straightforward and prosaic, Chapter 14, on the limits of a borrower's responsibility, includes an analogy of a kind common in Bugis literature. The person who borrows money with interest is compared to a tamarind tree, the leaves of which are continuously plucked off before they have had time to grow. The message is that fixed interest rates (as opposed to profit-sharing agreements) are undesirable because they can result in demands for payment continuing even after the borrower's resources are exhausted. While interest-bearing loans are not explicitly prohibited in the code, they are discouraged on account of their being disadvantageous both for the borrower, and for the lender if the borrower is unable to repay the loan. If a person does, for whatever reason, fall into debt slavery, then any outstanding debts over and above the value of his or her person must be cancelled.

Chapter 14 continues with the limits of borrower responsibility in the case of a single debtor with multiple creditors. In the event that such a debtor cannot repay, what capital he or she does possess is distributed among his or her creditors in proportion to their respective shares in the total amount owing. The case is then considered closed, and cannot be reopened even if the borrower later makes more money. Creditors, in other words, may be forced to bear the loss of permanently writing off bad debts. The more highly recommended alternative in this case, however, is that one of the creditors, preferably the lead creditor, takes the defaulting borrower as a debt slave, and then either compensates the other creditors on a pro rata basis according to the market value of such a slave, or immediately sells the slave to a third party and distributes the actual proceeds on the same basis. For example, if three creditors are owed ten, ten and forty reals (Spanish silver coins), and the debtor is sold for thirty reals, the creditors would receive five, five, and twenty reals respectively.[27]

Whether through informal or judicial means, it appears that the To Wajoq were generally successful in claiming outstanding debts from one another. In practice, ability to repay debts seems to have been a prerequisite for continuation of commercial activities. In this context it is interesting to note that before Wajorese merchants agreed to return to Makassar after peace was restored in Wajoq following the military campaigns of Arung Séngkang (1739–41), they first sought, and received, the agreement of the Dutch governor that they would be allowed to claim their runaway slaves and their outstanding debts.[28]

The specific commercial and financial opportunities and restrictions applying to various groups within Wajorese society, from community leaders to slaves, are adumbrated both in Amanna Gappa's code and elsewhere. The commercial privileges enjoyed by the Wajorese *matoa* in Makassar, and presumably by his counterparts in other ports, are noted in the abovementioned Leiden University manuscript on the administration of the Makassar *matoa*. Nobody may make a higher bid on merchandise than the *matoa*; the *matoa* has the right to participate in the commercial deals of other To Wajoq; and he may commission captains to make sales of up to 100 reals on his behalf free of charge.[29] He also receives financial compensation for his "worries" in relation to the voyages and commerce of his people.[30] Although the exact nature of these responsibilities is not specified, one of them was very probably the adjudication of commercial disputes.

The rights and responsibilities of the Wajorese sea captain are clearly defined in Ammana Gappa's code. Charged with ensuring the safety of his vessel and its passengers, he was rewarded, like the *matoa*, with commercial privileges. At the same time he was restricted, however, in that he was not entitled to sell merchandise on credit. His privileges with respect to *bagilaba* loans were carefully regulated. In general he was not permitted to do anything with the funds or property entrusted to him other than use them for the prearranged commercial purposes. There were, nevertheless, circumstances in which this rule was waived, provided the captain recorded the resulting debt and subsequently either restored the amount borrowed, or subtracted it from his share of the profits. Besides emergencies, these exceptional situations included opportunities for the purchase of certain culturally valued prestige items that were regarded as the accoutrements of a worthy captain: a valuable kris, a lance with gold mounting, a betelnut box, a writing case, or a fine clothing chest from Gresik or Semarang. If a captain died in debt and had not misused the *bagilaba* loan, nor made a profit, then his wife and children were only obliged to pay back half of what had been borrowed. If, however, the *bagilaba* rules had not been followed, then the family of a deceased captain was responsible for the entire debt.

Members of the crew also had specific rights and obligations.[31] For example, the *jurumudi* (helmsman, of whom there were usually two per ship) and the *jurubatu* (seaman responsible for soundings, lookout, and casting the anchor, often likened to a pilot or boatswain — again generally two per vessel) had special privileges with regard to the ship's freight. If they were bound to the captain, then the available cargo space would

be split equally between the captain and the ship's owner.[32] If they were bound to the shipowner, then the captain was only entitled to use one-third of the freight capacity, and the owner two-thirds. If, however, the *jurumudi* and *jurubatu* were free agents, then the hold was divided in halves between shipowner and captain, but the captain had to share his half with his *jurumudi* and *jurubatu*, who then split their share two-thirds to one-third respectively.

Another group of people on board with trading rights were the *sawi,* a term denoting someone with a combined function of trader and sailor for which there is no English equivalent.[33] There were various categories of *sawi*, differentiated according to the extent of their freedom, the quantity of goods that they were permitted to bring on board, the amount of work they did on board, and the extent of their dependence on the captain. *Sawi-puli* (literally "fixed *sawi*") could be either free men or slaves, or a combination of the two. The captain would lend money or goods to the *sawi-puli* because they generally did not have adequate capital of their own, and they would work for him in return. The captain made these loans either from his own resources, or by pooling the resources of other crew members. The *sawi-puli*'s labour services functioned as a sort of deposit on the loans they received, and they were therefore morally obliged to travel with the captain every year, working on board as long as they were in good health. They were permitted to bring on board as much small merchandise as they wished, and were given preference over the other *sawi* with regards to larger merchandise taking up more cargo space.

In contrast to the *sawi-puli*, the *sawi-tungka*, also known as *sawi-ale-ale* (literally, "*sawi* alone"), were not permitted to bring merchandise on board. Instead they received loans of goods, worth twenty-five reals or less, from the captain. The profits they obtained from these loans functioned as payment for the work they did on board, which was the same as the work of the *sawi-puli*, except that the *sawi-tungka* were only required to work until mid-day, rather than until sundown. This difference in schedule increased the *sawi-tungka*'s opportunities to make a profit from the wares that the captain loaned them. Working less than the *sawi-puli*, the *sawi-tungka* also received less help, and less interference, from the captain.

The *sawi-maloga* (literally "loose *sawi*") were even less dependent on the captain. They were not obliged to make an annual voyage with him, and they could only be forced to work in an emergency. They brought their own capital on board with them and in the event that the ship ran aground, their wares were the first to be thrown overboard.

Amanna Gappa's code required the captain to treat the *sawi* justly without threatening them; to let them choose from the goods that he procured in his role as coordinator of the ship's commercial activities; and to share his own food with them before allowing them to go hungry. Typically the captain of a ship would offer the *sawi* advice, look after their well-being, and lend them money. Such arrangements allowed people of limited means to become active participants in long-distance commerce.

More limited in personal freedom than the *sawi* were the *kalula*, or people apprenticed to the captain. These were often responsible for carrying out the special kind of commission known as *lalowang*, in which goods belonging to a *matoa*, or Wajorese community leader, were traded for the sole profit of the owner. Yet the *kalula*, too, had opportunities to make money. One indication of their financial freedom is that they sometimes took out loans without the knowledge of the captain; in such cases, the captain could not be held responsible for repayment. Chapter 7 of the law code indicates that the *kalula* took out loans called *inreng ripasa*, consisting of small amounts of goods or money lent without a formal contract, simply on the agreement that they or their value would be returned after completion of the voyage. Such altruistic loans provided further opportunities for lower-class people to engage in commerce. Presumably they were made in the spirit of Wajorese solidarity, and in accordance with the injunction in the Amanna Gappa code to look after other people's commercial affairs as if they were one's own.

In addition to the division of commercial opportunities among seamen, there was also a division among merchants. While those who traded on land and those who traded at sea were sometimes one and the same, there were special regulations regarding land-based commerce. A tripartite division of people engaged in commerce into wholesalers, retailers, and peddlers was established, presumably in order to protect the rights and interests of each group. Wholesalers were the only traders who could purchase from the Dutch and the Chinese, but they could not participate in retail trade. Retailers had to purchase their goods from wholesalers, but could not act as peddlers. Peddlers were required to buy from retailers, not wholesalers. Repeated violation of these rules could result in the offender being banned from trading, although repentant offenders could also be pardoned.[34] The records of the Wajorese *matoa* in Makassar indicate that this regulation was upheld effectively. They also mention a specific incident in which transgressors were fined parcels of sticky rice, which were then consumed at a communal meal.[35]

From Amanna Gappa's law code, it is apparent that the To Wajoq possessed a highly developed financial system to accompany their far-flung commercial network. The extensive system of safeguards to protect the interests of the parties involved, the provisions that allowed people of limited resources to engage in commerce, and the warnings against usury all indicate that the purpose of the code was to regulate trade to the advantage of all. While the code was established by a group of leaders from overseas Wajorese communities rather than by the *arung matoa* of the homeland, the overseas leaders clearly shared Arung Matoa La Tenriwerrung Puanna Sangngaji's enthusiasm for promoting commerce. Their support was not just a matter of lip service; as in Wajoq itself, concrete measures were taken to facilitate, regulate, and finance trade. Among these measures, the various systems for extending and regulating credit were of paramount importance.

The Loans of To Anko and To Uti

While Amanna Gappa's law code provides an overview of how the To Wajoq as a group ideally conducted business, Dutch court transcripts offer rare glimpses into the actual business practices of individual eighteenth-century merchants. The cases of Abraham Franzson versus Tombo, and To Uti versus Towaris, illustrate the ways in which loans were extended and repaid — or not repaid, as was the situation with the cases tried in court.[36] They also show that, while Amanna Gappa's code provided an effective guideline for commerce among the To Wajoq themselves, commercial transactions with other ethnic groups did not always proceed as smoothly.

The case of Abraham Franzson versus Tombo details the proceedings of shipowner Abraham Franzson's suit, in 1728, against the Makassarese woman Tombo for money owed to him by her deceased husband, the Wajorese *nakoda* (captain) To Anko. It illustrates both how people with limited resources could borrow money, and the manner in which debts were reclaimed after the death of the borrower.

A prominent role in To Anko's business was played by *sawi*, or trading passengers. As noted, Amanna Gappa's law code encouraged captains such as To Anko to look after the well-being of *sawi* on board and assist them in a variety of ways. In this case, To Anko mediated credit agreements between his *sawi* and Abraham Franzson. Nine *sawi* each took their own loans from the shipowner, ranging from sixteen to sixty-seven *rijksdaalders*, at their own risk.[37] While not unique to the To Wajoq, this

kind of arrangement allowed people with very little capital to get involved with trade and thereby advance their economic standing.

To Anko belonged to an entirely different class of borrower from the *sawi*. In today's terms he might be described as an "umbrella capitalist" since he was active in a variety of business fields including finance, transportation, and sales. When To Anko's estate was scrutinized during the trial, various people came forward to detail their transactions with him, providing a good picture of how he conducted business. No fewer than sixteen people are mentioned as business associates. Considering that this is only a partial list, To Anko's business contacts were clearly extensive. According to creditor Abraham Franzson, the sum of the shipping loans mediated by To Anko to the *sawi* for the voyage to Batavia had amounted to 408 *rijksdaalders,* whereas according to Tombo they had amounted to only 240 *rijksdaalders*. To Anko and the *sawi* travelled together to Batavia on Abraham Franzson's ship *Sulena*, which was sold there (because it was old and generally unfit for service) for thirty *rijksdaalders*, and another vessel purchased for 170 *rijksdaalders*. The replacement ship required fifty *rijksdaalders* worth of new sails and rigging, a cost which Tombo believed Abraham Franzson should bear.[38] As agreed with Franzson, while in Batavia To Anko also used his creditor's capital to purchase goods for sale in Sumbawa. Unfortunately, however, To Anko died in Sumbawa before he could complete this transaction and repay Franzson.

The shipowner then approached Tombo regarding her deceased husband's debt. She claimed that To Anko's papers were with his Wajorese associate To Koa, and refused to settle the debt in a friendly manner. Franzson, therefore, brought the matter before the VOC court. His case against Tombo was based on his claim that she possessed money that he had lent her husband. Because the court did not believe the plaintiff's statement that his loans to the *sawi* had amounted to 408 *rijksdaalders*, and because To Anko had incurred numerous expenses on Franzson's behalf, the plaintiff could not adequately substantiate a claim for more than sixty *rijksdaalders*. The court ruled that the defendant had to reimburse Franzson for that amount.

Had the dispute between Franzson and Tombo been settled according to Wajorese custom as codified in the Amanna Gappa laws, the outcome might have been very different. Chapter 16 of the code provides guidelines on what is to be done with the goods of a trader who dies on a voyage. The main consideration is to ensure that his heirs do not suffer damage.

The prescribed policy is for an available person to sell the deceased person's wares, record the profits, and place the receipt in the coffin with the deceased. If this person then uses the deceased's money for further business ventures which fail, he is obliged to recompense the family of the deceased for the money lost. If his ventures are profitable, on the other hand, the gains are to be shared with the heirs. In To Anko's case, apparently, nobody did these things on his behalf; indeed, the VOC court did not believe Tombo that her late husband's papers were with his business associate To Koa. Amanna Gappa's law code also provides guidelines for the division of debts in the event of a trader's death. Chapter 12 states that in such an event, the trader's family can only be held responsible for half of his debts. If this principle had been applied in the VOC court, then Tombo would only have been required to pay thirty *rijksdaalders*. Indeed, according to Wajorese practice, Tombo might not have been liable for any of the money. Chapter 9 of the code specifies that debts from a previous marriage are not be carried over into a new marriage; by the time Tombo was brought to trial, she had a new husband.

A second court case, that of To Uti versus Towaris, provides insight into the management of loans through time and space. This case pertains to a loan made in 1712 or 1713 in Batavia, and finally settled by court trial in 1742 in Makassar. It illustrates the difficulties surrounding time-specific repayment, perennially one of the most problematic aspects of credit relationships in Southeast Asia.[39] It also shows that Wajorese merchants were substantial moneylenders, providing credit even to members of other ethnic groups; that they sometimes claimed interest on their loans despite this being against the spirit, if not the letter, of the Amanna Gappa code; and that if they attempted to make use of the VOC legal system for the resolution of commercial disputes with non-Wajorese parties, they could find themselves disadvantaged for reasons of prejudice and politics.

The court records describe how To Uti, a Wajorese trader, lent 300 *rijksdaalders* to Diogo Towaris, a Makassarese burgher, three decades earlier in Batavia. No mention of interest was made, but it was agreed that To Uti would be able to transport goods back to Makassar on Towaris' ship. According to To Uti the loan was to be repaid within five months, but Towaris maintained that no time limit was set. Then, for reasons that do not appear in the court transcripts, Towaris was imprisoned for five months, making him unable to complete his side of the bargain. To Uti, according to his own later testimony, sought Towaris out, presumably visiting him in

prison, whereupon Towaris promised to repay the 300 *rijksdaalders*, with appropriate interest, in Makassar at a later date after his release. Towaris, however, denied making such a promise.

Several years later, the two met again in Makassar. Towaris then gave To Uti 100 to 120 *rijksdaalders* worth of goods (*rasamala*, a type of fragrant wood) and transferred to To Uti a debt of thirty *rijksdaalders* owed him by the Bugis To Minta. Despite Amanna Gappa's admonition against usury, To Uti believed that he was entitled to interest and considered this payment as part of the interest. In court in 1742 two Wajorese witnesses, Amanna Tale and To Budaela, supported this claim by testifying that they had once seen Towaris pay To Uti 130 *rijksdaalders* as part of the interest. Towaris, on the other hand, claimed that this payment had been part of the principal. To Uti further contended that the Dutch public prosecutor (*fiscaal*) Van der Anker (deceased at the time of the trial) had agreed with him that Towaris should pay a flat, fixed interest charge of 300 *rijksdaalders* (100 per cent) on the original loan of the same value. Although a Wajorese witness named Puanna Budu testified that Van der Anker had indeed stated this opinion, the court found that advocating such a high rate of interest was uncharacteristic of a *fiscaal*, and dismissed the claim.

Soon after making his first repayments, Towaris went to Ternate, returning to Makassar in 1724. When To Uti was again in Makassar in 1725, he went to Towaris' house and met with his son Adriaan (who, curiously, was not called on to testify at the trial). According to To Uti, Adriaan offered nothing but excuses and pretexts to avoid payment of the debt, and ended up chasing him out of the house with a bamboo stick. According to Towaris, To Uti threatened Adriaan and instructed him to tell his father to come to To Uti's house the next morning to settle the matter once and for all. Towaris testified that he had been anxious to do this, but that To Uti had promptly run away, probably fearing that Towaris would complain about the bad way in which he had behaved. Towaris and To Uti finally did meet again in 1741, but once again were unable to resolve their dispute. To Uti then sued Towaris in 1742, arguing that since Towaris never did transport his goods from Batavia to Makassar thirty years earlier as agreed, he no longer had the right to an interest-free loan. The court ruled in favour of the defendant. Although it ordered Towaris to repay the remaining 150 *rijksdaalders* of the original loan, he was not required to pay any interest despite the length of the loan's term. Furthermore, the court found that To Uti had intentionally misled it, and ordered him to pay court costs.

In this case it appears that the court's decision may have been influenced by Dutch prejudice against the To Wajoq. It is important here to consider the time frame. The lawsuit was brought in 1742, after the To Wajoq under Arung Séngkang La Maddukelleng had tried to expel the Dutch from South Sulawesi. The trial records contain numerous disparaging references to Wajorese witnesses, who are described as "vagrants", "enemies", and "unbelievers", and whose testimonies are given no credence. In relation to *fiscaal* Van den Anker, To Uti was accused of trying to disgrace the name of a high-ranking person for personal gain. The court also took exaggerated issue with the discrepancy between To Uti's and Towaris' recollections of the year in which the loan was originally made (1712 and 1713, respectively), despite acknowledging that misremembering a date was common among natives. A similar chronological irregularity in Towaris' testimony, by contrast, was not held against him. Towaris accused the Wajorese witnesses of lying in order to help To Uti in return for a share of his gains should he win the case. Whether the court believed this or not, it was clearly unsympathetic towards the cause of a Wajorese businessman.

Wajorese Commercial Success: Scope and Foundations

While the careers of To Anko and To Uti exemplify the commerce of Wajorese entrepreneurs who cooperated with members of other ethnic communities, there was also a significant sector of Wajorese commerce that did not involve outsiders. Many To Wajoq did their best to avoid the Dutch and their trading restrictions, so that the details of their financial practices do not appear in the archives of the VOC. The activities of individual traders, it must be said, do not appear in the Wajorese sources either. VOC records do, however, chronicle the overall success of Wajorese (and other indigenous) commerce, which is portrayed as a serious threat to Dutch enterprise.

By the mid-eighteenth century, the declining trend in the VOC's trade in Makassar had become so alarming that an influential burger, J.H. Voll, was assigned to investigate its causes. His report provides a fascinating account of Wajorese trading networks.[40] It describes how Wajorese traders transported local textiles to Riau, where they exchanged them for Spanish reals. From there they proceeded to Kedah and Selangor, where they used the reals to pay for "English textiles" (meaning Indian textiles purchased from the English), making excellent profits because of the higher exchange

rate for reals in these parts. They then sailed to various places along the western coast of Sulawesi, such as Mandar, Bacukiki, Soreang, and Laboso, from where they sailed upriver as far as they could and then transported their imported textiles overland to Wajoq. What they could not sell there they traded to other places further east, such as Ternate, all the time being careful to avoid Makassar and the Dutch. So despite their declining participation in the "legal" trade of Makassar during the mid-eighteenth century, the Wajorese were still competing effectively, and in fact outperforming the VOC, despite all its efforts to curb them.[41]

For this achievement, the To Wajoq earned the reluctant admiration of many Dutch observers. VOC general Adriaan Smout, for example, praised them as skilled and trustworthy merchants.[42] He believed that the To Wajoq had distinguished themselves commercially because of their firmly established rule of honesty in business. In the outgoing report (*memorie van overgave*) which he wrote at the end of his period as governor of Makassar, Smout relates the story of a Wajorese who owed more than 20,000 *rijksdaalders* to a creditor. When the debtor's village was destroyed by fire and he lost everything, his countrymen went together to the creditor and stood up for the unlucky man so that his reputation and creditworthiness would not suffer. Eventually, the debt was repaid in full.[43] Smout also describes how a Wajorese man who owed money to a shopkeeper, presumably in Makassar, asked a Dutch spy working for Smout if he would take something to reduce his debt to the shopkeeper, eventually sending two slaves. Smout found this episode particularly remarkable because it occurred "during the height of the war" between the Dutch and the To Wajoq.[44]

Smout's observations highlight three very important aspects of Wajorese credit: solidarity, ethics, and organization. Clearly the To Wajoq had a strong sense of community. They cooperated effectively not only to advance mutual interests, such as the codification of commercial laws, but also to assist compatriots in need, such as the debtor whose village was burned down. The Amanna Gappa laws were designed not to help powerful individuals make quick profits, but to safeguard the interests of all parties in commerce, and to provide opportunities for people at all levels of society to participate in trade. The code specifically exhorts merchants to care as much for their common enterprises as for their individual ones.[45] With such a code of ethics, and supported by such an accommodating social system, it is arguably not surprising that merchants, borrowers, and lenders generally cooperated.

Perhaps the most important feature of Wajorese financial practices was the high level of organization which they involved. Wajorese leaders, both in Wajoq's capital Tosora and in Makassar, took practical measures to encourage commerce and cooperation. In Wajoq at least one *arung matoa*, La Tenriwerrung Puanna Sangngaji, regarded participation in commerce as a moral imperative. His successor, La Saléwangeng To Tenrirua, introduced a major institutional innovation in credit provision when he created a permanent fund of anonymous capital with which to finance enterprise and harness its profits for the good of the state. In this and other ways, Wajorese leaders established systems enabling people with limited resources of their own to borrow money for business purposes. In Makassar, moreover, leaders from geographically dispersed Wajorese communities agreed on a set of laws, pertaining to commerce and navigation, for use by To Wajoq across the archipelago. These laws provided a framework for the establishment and maintenance of business relationships. The ways in which money was to be lent and repaid were more than well established; they were codified. This formal codification of laws relating to credit, in a society where *adat* or customary law was otherwise firmly entrenched, indicates that credit was very important among the To Wajoq.

In early modern insular Southeast Asia, indigenous traders were generally at a disadvantage *vis-à-vis* Chinese, Indian, and European merchants because of their limited access to investment capital and their enduring preference for personalized, kin-based trading relations. While the range of relatives considered trustworthy included in-laws and "milk relatives", it was nevertheless limited.[46] In this context the existence, both in Wajoq itself and among overseas Wajorese communities, of formal institutions for facilitating access to credit was particularly significant. Such institutions greatly expanded the number of potential trading partners, thereby increasing the commercial potential of the To Wajoq. Similarly, the establishment of a permanent, public fund to provide loan capital for entrepreneurial activities allowed a larger segment of society to participate in commerce. Highly organized credit systems enabled the To Wajoq to exploit their community's commercial potential more completely than could other groups, to distinguish themselves among indigenous traders, and to establish a far-flung commercial network across the archipelago. Without such an effective financial system, it is hard to imagine that the To Wajoq could have developed the commercial strength which was crucial not only to the prosperity of their people, but also to the security of their country.

Notes

[1] B.F. Matthes, "Eenige opmerkingen omtrent en naar aanleiding van dat gedeelte van Dr. J.J. de Hollander's Handleiding bij de Beoefening der Land- en Volkenkunde van Nederlandsch Oost-Indië, hetwelk handelt over het Gouvernement van Celebes en Onderhoorigheden", *Bijdragen tot de Taal-, Land- en Volkenkunde van Nederlandsch-Indië* 19 (1872), p. 18. I was led to this reference via its citation in David E. Sopher, *The Sea Nomads: A Study of the Maritime Boat Peoples of Southeast Asia* (Singapore: National Museum of Singapore, 1977), pp. 159–160.

[2] Memorandum by A.H. Smout to J.G. Loten, Makassar, 1.6.1744, in NA VOC 2628, folio (f.) 242, Dutch National Archive (National Archief, NA), The Hague.

[3] Jacqueline Lineton, "'Pasompe' Ugi': Bugis Migrants and Wanderers", *Archipel* 10 (1975): 177.

[4] Andi Zainal Abidin, *Wajo' Pada Abad XV–XVI: Suatu Penggalian Sejarah Terpendam Sulawesi Selatan dari Lontara'* (Bandung: Penerbit Alumni, 1985), p. 65.

[5] Christian Pelras, *The Bugis* (Cambridge: Blackwell, 1996), p. 96. A further example comes from the Chronicle of Sidenreng, in which brothers leave their homeland to found new settlements abroad — see Ian Caldwell, "South Sulawesi A.D. 1300–1600: Ten Bugis Texts" (Ph.D. dissertation, Australian National University, 1988), p. 187.

[6] While the Lappadeppaq Treaty does not explicitly mention the right to migrate, the ceremony at which it was concluded reiterates this right. After burying a stone to solemnize the treaty, La Tiringeng To Taba speaks to all those present, promising them freedom to leave, enter, and reside in Wajoq at will. He is recorded as saying: "The door of Wajoq shall be open when they enter; the door of Wajoq shall be open when they leave; they enter on their own feet and they leave on their own feet." When asked why he did not promise this before burying the rock, he replies that the freedom in question is simply a matter of Wajorese customary law. Freedom of movement, then, was already a well established principle. See Andi Zainal Abidin, *Persepsi Orang Bugis Makasar tentang Hukum, Negara dan Dunia Luar* (Bandung: Alumni, 1983), pp. 243–44.

[7] Leonard Y. Andaya, *The Heritage of Arung Palakka: A History of South Sulawesi (Celebes) in the Seventeenth Century* (The Hague: Martinus Nijhoff, 1981), p. 210.

[8] B.F. Matthes, *Over de Wadjorezen met hun Handels- en Scheepswetboek* (Makassar: P. van Hartrop, 1869), pp. 4–6.

[9] Letter from Arung Timurung in Cenrana to J. Sautijn and others in Makassar, 9.5.1736, in NA VOC 2409, f. 771; Leid. Cod. Or. 1923 VI, f. 15 (Dutch Bible Society Collection, Leiden University Library). On this conflict, see J. Noorduyn, "Arung Singkang (1700–1765): How the Victory of Wadjo' Began", *Indonesia* 13 (1972): 61–68.

[10] Letter from Brugman in Pénéki to governor Cornelis Sinkelaar in Makassar, 4.3.1762, in "Stukken handelende over den Panekischen Oorlog" (unpaginated),

ANRI Makassar 280, National Archives of the Republic of Indonesia (ANRI), Jakarta.

[11] Abdurrazak Daeng Patunru, *Sedjarah Wadjo* (Makassar: Jajasan Kebudajaan Sulawesi Selatan dan Tenggara, 1965), p. 62. The *Lontaraq Sukkuqna Wajoq*, however, states that this policy was begun by La Galigo To Suni, who ruled from 1703 to 1711 (*Lontaraq Sukkuqna Wajoq*, Proyek Naskah UNHAS No. 01/MKH/1/Unhas UP, Rol 73, No. 1–21, f. 228).

[12] *Lontaraq Sukkuqna Wajoq*, f. 228.

[13] The *Lontaraq Sukkuqna Wajoq* (f. 229) refers to "Java", but in Bugis usage this indicated the western archipelago in general. See A.A. Cense, "Eenige aantekeningen over Makassaars-Boeginese geschiedschrijving", *Bijdragen tot de Taal-, Land- en Volkenkunde* 107 (1951): 49, n. 23.

[14] Abdurrazak, *Sedjarah Wadjo*, p. 63.

[15] B.F. Matthes, *Over de Wadjorezen*, pp. 24–25.

[16] The mosque was improved with lime, its well was deepened, and a minaret was built from which to make the call to prayer (*Lontaraq Sukkuqna Wajoq*, f. 236).

[17] B.F. Matthes, *Over de Wadjorezen*, pp. 24–25.

[18] Jacobus Noorduyn, *Een Achttiende-Eeuwse Kroniek van Wadjo: Buginese Historiografie* ('s Gravenhage: Smits, 1955).

[19] *Proyek Pemugaran dan Pemeliharaan Peninggalan Sejarah dan Purbakala Sulawesi Selatan, Study Kelayakan Bekas Ibu Kota Kerajaan Wajo (Abad XVII) di Tosora, Kab. Wajo, Sulawesi Selatan* (Jakarta: Departemen Pendidikan dan Kebudayaan, Direktorat Jenderal Kebudayaan, 1984), pp. 39–40.

[20] Memorandum by A.H. Smout to J.G. Loten, 1.6.1744, f. 245.

[21] Eighteen copies of this legal code were formerly held in the manuscript collection of the Yayasan Kebudayaan Sulawesi Selatan (which no longer exists as such), and numerous copies are present in the Dutch Missionary Society collection of Leiden University Library. The code has also been published several times, both in the original Bugis and in Indonesian, Dutch, and English translations: B.F. Matthes, ed., *Iyanaé Sure Powada-adaengi Undang-undangna Sinina ToWajoe, iya Nawinrué Matowana To-Wajoé ri Junpandang Riyasengé Amanna Gappa* (Makkasar, 1869); O.L. Tobing, *Hukum Pelajaran dan Perdagangan Amanna Gappa* (Makassar: Jajasan Kebudajaan Sulawesi Selatan dan Tenggara, 1961); C.H. Thomsen, ed., *A Code of Bugis Maritime Laws with a Translation and Vocabulary, Giving the Pronunciation and Meaning of Each Word* (Singapore: Mission Press, 1832); Leonardus Johannes Jacobus Caron, *Het Handels- en Zeerecht in de Adatrechtsregelen van Rechtskring Zuid-Celebes* (Bussum: Van Dishoek, 1937).

[22] On the dating of Amanna Gappa's law code, see La Side, "Serba-serbi Tentang Amanna Gappa dan Penangkatan Matowa Wadjo di Makasar dalam Abad Ke-17", *Bingkisan* 2, no. 8 (1969): 11–12; and J. Noorduyn, "The Wajorese Merchants' Community in Makassar", *Bijdragen tot de Taal-, Land- en Volkenkunde* 156 (2000): 495–96.

[23] See footnote 21.

[24] J. Noorduyn, "The Wajorese Merchants' Community in Makassar", p. 483. Noorduyn's article is based on the said manuscript (NBG 106, Dutch Bible Society collection, Leiden University Library).

[25] B.F. Matthes, ed., *Iyanaé Sure Powada-adaengi Undang-undangna Sinina ToWajoé*, pp. 54–55, footnote ee.

[26] On status in Wajorese society, see Lucie van Mens, *De Statusscheppers: Sociale Mobiliteit in Wajo, 1905–1950* (Amsterdam: CASA, 1989).

[27] The real, or Spanish American silver trade dollar, was at this time the most widely used currency in Southeast Asia. In terms of modern (2007) prices one real was worth roughly twenty to twenty-five U.S. dollars, although it should be remembered that incomes were much lower in the past than today. Among the Bugis, according to Matthes, the price of a debt slave was 30 reals (B.F. Matthes, *Iyanaé Sure Powada-adaengi Undang-undangna Sinina ToWajoé*, p. 44, footnotes e and p; p. 62, footnote jj).

[28] Leid. Cod. Or. 1923 VI, ff. 41–42.

[29] J. Noorduyn, "The Wajorese Merchants' Community in Makassar", p. 479.

[30] Ibid., p. 478.

[31] On the roles and ranks of members of Bugis ship's crews, see Gene Ammarell, *Bugis Navigation* (New Haven: Yale University Southeast Asia Studies, 1999), pp. 201–02.

[32] The precise nature of the "bondage" referred to here is not clear from the text. On the varieties of bondage in Southeast Asia, see Anthony Reid, ed., *Slavery, Bondage and Dependency in Southeast Asia* (St. Lucia: University of Queensland Press, 1983).

[33] The term *sawi* is still in use, although its meaning has changed over time. In eighteenth-century Dutch documents, such as the Makassar court records discussed later in this chapter, it refers to a trading passenger on a Bugis ship. In the nineteenth century it simply meant a crew member, and today it is used in a variety of contexts to denote a client who is dependent on a *punggawa* or patron (C. Pelras, *The Bugis*, p. 332).

[34] J. Noorduyn, "The Wajorese Merchants' Community in Makassar", p. 480; "Stukken van Intje Moehammad", f. VIII, Collectie A.A. Cense, KITLV Or. 545 no. 182, Royal Netherlands Institute of Southeast Asian and Caribbean Studies (KITLV), Leiden.

[35] J. Noorduyn, "The Wajorese Merchants' Community in Makassar", p. 485.

[36] "Abrah: Frasz contra Tombo Inlandse vrouw", 1728, and "Proces Civil van Diogo Tawaris Senior contra Tohoeti Wadjorees", 1742 (both court transcripts, unpaginated), in ANRI Makassar 333.2 and 332.1, respectively.

[37] The *rijksdaalder* was a standard Dutch silver coin, comparable to the Spanish American real (see note 27). In terms of modern (2007) prices, the *rijksdaalder* was worth approximately twenty-five U.S. dollars.

[38] While one witness testified that To Anko had paid these expenses out of his profits from the sale of nineteen slaves in Batavia, the court favoured Abraham Franzson's assertion that the captain had paid them using part of the money invested by the *sawi*. Either way, Abraham Franzson was to reimburse To Anko; but using passengers' money for this purpose was not in accordance with the spirit of Amanna Gappa's law code, which states that a captain must be in possession of funds to spend on the maintenance of the ship. Although To Anko was deceased at the time of the trial and did not testify, it appears

from the manner in which his accounts were described that he did not consider this payment to be his responsibility.

[39] Barbara Watson Andaya, "Orality, Contracts, Kinship and the Market in Pre-Colonial Island Southeast Asia", in *Ownership, Contracts and Markets in China, Southeast Asia and the Middle East: The Potentials of Comparative Study*, edited by Toru Miura (Tokyo: Islamic Area Studies Project, 2001), p. 30.

[40] Report by J.H. Voll to Governor David Boelen, Makassar, 11.4.1768, in NA VOC 3243 (document 16, unpaginated).

[41] Heather A. Sutherland and David S. Brée, "Quantitative and Qualitative Approaches to the Study of Indonesian Trade", in *Dari Babad dan Hikayat Sampai Sejarah Kritis*, edited by T. Ibrahim Alfian et al. (Yogyakarta: Gadjah Mada University Press, 1987), pp. 397–400.

[42] Memorandum by A.H. Smout to J.G. Loten, 1.6.1744, f. 259.

[43] Ibid., ff. 246–47.

[44] Ibid., f. 246.

[45] B.F. Matthes, ed., *Iyanaé Sure Powada-adaengi Undang-undangna Sinina ToWajoé*, pp. 27, 74.

[46] Barbara Watson Andaya, "Orality, Contracts, Kinship and the Market", p. 8. Otherwise unrelated people who had shared a wet nurse were considered to have a special bond and were known as "milk relatives", *saudara susuan* — see Barbara Watson Andaya, *To Live as Brothers: Southeast Sumatra in the Seventeenth and Eighteenth Centuries* (Honolulu: University of Hawaii Press, 1993), p. 35.

5

Money in Makassar: Credit and Debt in an Eighteenth-Century VOC Settlement

Heather Sutherland

Conventional wisdom holds that the key to power in Southeast Asia rested on control over populations; these provided the labour necessary to convert abundant land into wealth, and the coercive force needed to ensure obedience and respect. That other essential prerequisite for good fortune, capital, has received less attention. This reflects a common emphasis on Indonesia as a primarily agrarian society; the Java-focus of much research; and an assumed division between Java's relatively Islamic and commercial north coast, and the dominant rice-growing interior. Beyond Java, the undoubtedly trade-centred port settlements of the outer islands tend to be seen as merely barter-based, exchanging products from the interior (gold, wax, rattan, and suchlike) for imported commodities such as textiles, salt, and iron.

Relative exceptions to this image of Asian economic simplicity are provided by the "diaspora" merchants, active in the archipelago for perhaps a thousand years before the arrival of the Europeans. The networks and commerce of such foreigners, primarily Indians and Chinese, were once regarded as inscrutable and remote, but comparative reassessments of economic performance in Asia and the West have modified such Orientalist preconceptions.[1] However, data are scarce and opinion divided as to the extent and significance of both urbanization and long-range trade, although the significance of cross-cultural transactions and change over time is now widely acknowledged.[2] These were most intense in port-towns, where various groups lived in close proximity and many shared at least one passion — the search for the profitable deal.

The Dutch East India Company or VOC (1602–1799) was a mercantile enterprise wielding political power. The intra-Asian trade crucial to Company profits was channelled through networks of polyglot ports, the most strategic of which were subjected to Dutch rule. However, the VOC settlements were not just Dutch forts adjoining clusters of Asian villages and the compounds of powerful local leaders. They were also a new type of town within which Europe-derived institutions of urban and commercial life connected with Asian merchants, petty traders, and the port's variegated ethnic groups. These last were essentially self-regulating under the control of their own leaders, who were supported by the Company as long as they remained useful; they enjoyed both political power and economic privileges over their communities. Nevertheless, sometimes people preferred to appeal to Company officials and institutions. For example, for a small fee, seventeenth-century Batavian notaries registered money loans or land-sales, drawing much of their trade from the common inhabitants of the town, who felt that the security offered by such an apparently alien institution was worth the expense.[3]

Several valuable studies are now available of urban life in VOC Batavia.[4] Little research, however, has been done on Company towns outside Java.[5] In an earlier study I described trade and social life in eighteenth-century Makassar, an East Indonesian port on the island of Sulawesi (Celebes) that had been a centre of spice "smuggling" and resistance to expanding VOC power since the early seventeenth century.[6] Makassar's subjugation by the Dutch in 1669 was central to their strategy of limiting and redirecting Asian trade in order to achieve commercial hegemony. Despite this destruction of the Makassarese state and networks, Makassar's trade recovered. By the middle of the eighteenth century, the exchange of Indian textiles for Maluku spices that had once been central to its economy had been replaced by the exchange of Chinese commodities for East Indonesian sea products. The main merchant communities under the Company were Chinese, Malays, *burghers* (ex-VOC personnel, or local Europeans, usually mestizo), all of ultimately external origin, and indigenous Makassarese and Buginese, inhabitants of the port's *kampong* native quarters, or of Dutch-controlled rural areas, or subjects of neighbouring independent kingdoms. While Dutch Makassar's commercial networks were much more limited than those of the previous state, they were still connected to long-distance exchanges emanating from India, Europe and, increasingly, China.[7] Such trade required capital and credit.

Here I would like to focus on three eighteenth-century civil institutions established by the VOC and used, to varying degrees, by all communities: the *diakonij* or college of deacons, which administered church funds; the Orphan Chamber or *weeskamer*, which supervised the orphanage and managed orphans' finances; and the *Raad van Justitie* or Council of Justice. The orphans' estates formed the capital of the *weeskamer*, while the *diakonij*'s income came from pious benefactors' legacies and from collections on behalf of the poor. Both were significant sources of credit, while the majority of civil cases heard by the Council were concerned with commercial and financial disputes. Although we have to focus on VOC activities, as only they are described in our sources, we can use our (limited) knowledge of their operations to gain some insight into non-Dutch practices; this requires some understanding of the wider context within which these bodies operated.

In his study of Indian Ocean trade before 1750, K.N. Chaudhuri commented: "One of the most difficult questions in the history of Indian Ocean trade is to determine how merchants and small traders raised their initial commercial capital."[8] Such capital typically came from immediate family, kin, or friends, whose estimates of creditworthiness were based on personal knowledge and social ties. Once established, men could borrow from senior merchants, or raise bonds on the value of a ship or cargo against a fixed rate of interest, to be repaid at the conclusion of a voyage. Bills of exchange offered the most flexible form for capital transactions, as paper showing moneys due could be cashed elsewhere, or bought and sold.[9]

In Southeast Asia the more trusted or fortunate traders could build relationships with the main (usually the only) indigenous group with serious money: the political elite. Rulers and aristocrats might themselves be active in commerce, but often employed others to handle their investments. Their agents were typically foreigners commanding far-flung networks offering knowledge, capital, and protection in various ports through their ties to power holders and economic elites. Such agents and other merchants also sought political protection, or even office, in order to deepen their access to taxes, labour, and commodities. Such "political entrepreneurs" and "portfolio capitalists" were more likely to be found in the richer states of India and Java than in the outer islands.[10] But the fortunes of traders, nobles, and later the VOC were also closely entwined in Makassar.[11] Lending money was a two-way traffic. Those with power and cash used merchants to multiply their wealth, while the latter gained protection and a share of the profits. Kings and nobles, and later the VOC, became debtors, and their creditors

no doubt benefited from the resulting patronage.[12] Such merchants, at the apex of their commercial worlds, bridged various economic arenas. For poorer Southeast Asians, including inhabitants of South Sulawesi, access to capital depended on patronage, or the pawning of possessions. One possibility was to pawn one's own body by becoming a debt slave.[13]

In seventeenth-century Makassar the three most famous traders were the "Moors" (Indian Muslims) Mapulle and Mamet Saphy (who acted as agent for the Nawab of Golconda), and the Portuguese Francisco Viera. All arrived in Makassar in the 1640s after the fall of Melaka to the Dutch disrupted Sino-Indian commerce, and brought with them their wide-ranging contacts and access to goods and funds.[14] Similarly, despite — or perhaps because of — Qing prohibitions on sea trade, merchants operating out of South China's Amoy tapped into the capital of corrupt officials and wealthy gentry there, creating a flourishing of illicit entrepot.[15] Capital circulating within overseas Chinese networks was also a natural source of funds; credit was underwritten by relationships, and supported by conventions, documents, and institutions. Clan and caste associations pooled funds, and temples (which had the advantage of moral sanctions against defaulters) had long acted as pawnshops and banks.[16] Information on the eighteenth century is scarce, but Chinese temples were certainly important in seventeenth-century Makassar, and in the twentieth century, ancestral halls remained a well-established source of credit.[17] Salmon notes that the oldest of these in Indonesia seem to have been built in eighteenth-century Java, but most were built in major ports in the nineteenth century: Jakarta had five, Semarang two, Surabaya three, and Makassar four.[18] Given the prominence of Chinese merchants from a couple of these same clans in eighteenth-century Makassar, it is likely that family associations provided credit long before the modern halls were constructed.[19] Poorer Chinese could also fall back on their own resources, using the rotating credit association or *hui* to pool their funds.[20] Writing in 1925, Vleming noted that most modern Chinese in Indonesia preferred to use non-institutionalized forms of credit, drawing on family, clan, and informal moneylenders, who relied on trust, but also charged very high interest.[21]

Chaudhuri is no doubt correct to note that in general, the supply and ownership of capital employed in the long-distance trade of the Indian Ocean "remained in the hands of professional merchants".[22] In more specialized markets, *bania* money-changers and accountants from Gujerat and Coromandel provided services for entrepreneurs, and later for the British, serving major commercial centres.[23] Anthony Reid agrees with

Meilink-Roelofsz that impersonal institutions to share and safeguard capital were completely absent in Southeast Asia during his "Age of Commerce" (1450–1680).[24] Money tended to circulate through personal relationships, and creditworthiness was established on the basis of social identity — family, clan, religion, patronage — and known character. As far as was possible, financial obligations were reinforced by documentation and sanctions (social, political, and religious). But in the absence of a judicial system expressing an objective political authority which extended over the whole commercial arena, formal institutionalization was problematic at best.

Dobbin has suggested that the need for such contract-backed commerce was one of the attractions of Islam in Southeast Asia, but we know little of Islamic business law in the region.[25] In seventeenth-century Indonesia, *commenda* investment (Dutch: *bodemerij* or *partenrederij*) was very popular: investors or groups of investors entrusted capital or merchandise to agent-managers (who might also contribute funds), and the risk was spread over a number of ships or voyages.[26] Such arrangements were backed by written contracts and under Islamic-influenced law.[27] This "Italian" custom of *commenda* was actually well established in the pre-Islamic Middle East, and only reached Italy in the eleventh or twelfth century.[28] It was as fundamental to long-distance trade in Southeast Asia as it had been in Europe. However, in Southeast Asia the risks of trade and rates of interest were much higher: "draconian", according to Braudel.[29]

Storm and shipwreck, political volatility, cyclical markets, unreliable debtors, and the myriad hazards of long-distance business characterized both early modern Europe and Southeast Asia. Of the former, Peter Mathias has noted that "access to credit, access to cash for the unexpected, unanticipateable emergency were keys to survival in this commercial world beset with risk and uncertainty. This is where the private accumulation of one's family could be critical". Consequently, Mathias also observes, "much the most important rule for the would-be successful, risk-averse man of business was to choose his parents, even his grandparents, wisely, and to make sure that his father has chosen his bride wisely".[30] It is probable that such European family guarantees were replaced by clan, religious, and communal institutions among the mobile and immigrant groups of Asia. Social standing and sanctions remained vital in establishing creditworthiness, but they were not infallible; more objective guarantees were needed.

These were already emerging in seventeenth-century Holland. There the origins of banking lay with merchants engaged in long-distance trade

who used bills of exchange (*wissels*) and promissory notes, comparable to the saleable letters of credit (*hundi*) that Hindu merchants used in sixteenth-century Southeast Asia.[31] Increasingly the issuing and cashing of Dutch financial notes was entrusted to specialized cashiers, who exchanged metal for paper. Such men knew shifting exchange rates, and were skilled in detecting false or trimmed coins. Trusted cashiers would hold money for others, and lend it out at interest, while people increasingly tended to keep cashiers' paper and use it for payments. The logical outcome was the formation of the Amsterdamse Wisselbank in 1609.[32] Within VOC towns, encounters between Asian practice and European expectations were creating more primitive forms of proto-institutionalization.

The Diakonij and Weeskamer

The Dutch East India Company's urban forms derived from Europe, and were most fully developed in Batavia, the capital of the VOC in Asia (established in 1619). Simplified versions of Batavian models were applied in Makassar and other minor Company settlements, under loose supervision from the capital.[33] If Batavia had a Governor General and a Council of the Indies, Makassar was administered by a subordinate Governor and a small Political Council. Batavia might be able to distinguish between judicial and general staff; most members of the Council of Justice there had a legal background after 1656.[34] In an outpost such as Makassar, however, such distinctions were a luxury.

Batavia's Church Council was established in 1620.[35] It was ultimately responsible for the financial administration of its two most important dependent bodies: the *diakonij* or deaconate, and orphan chamber or *weeskamer*. Both were Dutch in origin, but shaped by local preoccupations with the preservation of white prestige and solidarity through helping Christian and European paupers, by trying to salvage illegitimate mestizo children, and by opposing Islamic influence.[36] One of the tasks of *weeskamers* in the Netherlands was to invest orphans' estates. After an initial preference for property, from the mid-seventeenth century they took advantage of the emerging money market by buying *obligaties* or IOUs which could be freely transferred and cashed. The *weeskamer* provided credit and traded in debt, while investors received interest until the amount was paid off (*losrente*), or the donor died (*lijfrente*).[37] This interest was, of course, less than that charged to borrowers.

The orphan chambers in VOC towns worked in a similar fashion, but were also influenced by the Portuguese traditions still prevalent in many Asian trading centres. As Blussé notes, "the manner in which the *Weeskamer* … was run as a money lending institution for local Christians did not differ much from the Casa de Misericordia".[38] (As will be seen below, the Makassar chamber did not restrict its lending to the Christian community.) Both *weeskamer* and *diakonij* proved to be welcome sources of credit. While the initial capital of the former came from the orphans' inheritances, that of the latter was provided through regular church activities. In 1690 the Batavia diaconate drew most of its 18,635 *rijksdaalders* (*rds*, rix-dollars) income from church collections (*rds* 12,547), donations (*rds* 2,928), and interest from the loans it made to the VOC (*rds* 2,375).[39] Of its expenditures (*rds* 17,222), the main costs were for the poorhouse (*rds* 6,963) and the orphanage (*rds* 4,985).[40]

In contrast to Batavia, Makassar's eighteenth-century charitable institutions, as we will see, obtained by far the greatest part of their incomes from moneylending, and relatively little from collections. This was logical given the small Christian population (usually around eight hundred people) and the importance of trade, capital, and credit. Loans were made against valuable possessions such as property (meaning land, as most houses were made of bamboo and almost without intrinsic value), slaves, and jewellery, usually combined with the appointment of two guarantors (*borgen*). Security consequently depended on the guarantors remaining alive and solvent, on the pawned objects retaining their value, and on debtors continuing to be accessible and subject to sanctions. None of this was easy to ensure in Makassar, a trading enclave with a mobile population surrounded by powerful independent kingdoms, while even within the city itself, Dutch jurisdiction was limited.

The need for financial order was felt within ten years of Makassar's initial conquest. In November 1676, Makassar's officials reported to Batavia that the current practice of registering loans with just one person, the secretary of the Council of Justice, was open to fraud; two members of the Council were then appointed as supervisory *schepenen*, sheriffs or aldermen.[41] From 1730 on, Makassar sent detailed financial lists twice yearly to Batavia, including the accounts of the Masters of the Orphan Chamber and the church board of deacons, specifying debtors by name and amount borrowed. The *weeskamer* in Makassar was then controlled by a quite elaborate Council in which VOC officials took leading roles. At the end of the eighteenth century, the orphanage or *weeshuis* was administered by

two *buitenregenten*, who had to be members of the reformed church, and were chosen by the Makassar VOC authorities: one from the governing Political Council, the other from the Church Council. In 1784 these were the *predikant* or minister, and the *syahbandar* or harbourmaster. They supervised orphanage staff, the "mother" and slaves who looked after the children, but were themselves subject to supervision by the *diaconij*; once a month they met the deacons in the orphanage.[42] But despite increasing bureaucratic controls, Makassar's *weeskamer* was a focus of recurring financial scandals.

In 1731 the *diakonij* accounts showed the "capital of the poor" to be *rds* 11,672, including the past year's modest income of *rds* 991 from interest, church collections, the hiring of "death clothes", and bequests.[43] Expenses were *rds* 541, for charity to the "outside" poor, for those in the poorhouse, and for church requirements.[44] The 1734 accounts reveal an increase in income to *rds* 1,584, with 802 coming from interest, 555 from collections for the poor, 160 from legacies, and sixty-seven from the renting out of funeral clothes.[45] From this was paid the maintenance of the poorhouse inmates (424), help for the "outside poor" (163), the upkeep of the poorhouse itself (490), and a small sum for church needs. At this time, as a rule, the deacons charged about twelve per cent interest per annum on their loans (see below).

The *weeskamer* Masters had greater funds at their disposal: orphans' estates were to be invested. However, easy access to cash did not guarantee careful management. A 1731 list of "dubious debts" shows that while loans to Indonesians or Chinese were virtually always made on the basis of pawned gold, shaky European loans were mostly just based on the Masters' judgment, supported by guarantors. When the VOC authorities checked these bad debts, they found that some of the pawned jewellery had vanished, and that some guarantors were themselves debtors. The total value of the "dubious" debts exceeded *rds* 16,000.[46] In 1733 the capital of the *weeskamer* was *rds* 32,877, of which *rds* 12,575 was kept in cash, the rest being set out as loans. The amount retained in money was almost equal to the total capital that the *diakonij* had lent in the same year (*rds* 12,635), confirming the greater financial strength of the *weeskamer*.[47]

By 1736 it had became clear that the orphans' capital had been used irresponsibly. Of the twenty-nine loans still considered good, at least half had been given at the discretion of the Chamber Masters. The remaining "dubious" loans had been reduced to a hard core of "hopeless" debts, mainly because Company pressure had reduced the amount owed by Europeans

from *rds* 13, 320 to *rds* 826. Seventy per cent of the remaining *rds* 2,765 of bad debt had been lent to titled Makassarese and Buginese, without security.[48] This was serious enough, but matters got worse. In 1739 a major crisis erupted, with Makassar forced to ask Batavia for funds to make good debts — now no longer "hopeless", but "desperate" — that had been given with insufficient or no security. The Governor and Council defended themselves against Batavia's suspicion that the Chamber president had abused his personal access to the funds. For some years, they explained, three keys to the money chest had been held by different officials of the Chamber in order to preclude misuse. In fact, of course, this just proved that "laxity" was even more widespread than Batavia feared.[49]

In 1769 the chamber had *rds* 33,311 out on loan: to the VOC (6,649), to Europeans and *burghers* (17,201), and to Chinese (9,361). Sums were considerable, most being several hundred *rijksdaalders*; the lowest was 150, the highest over 2,000. This represented the capital of seventeen "pupils" of the orphanage, who received interest according to the amounts lent; another thirteen pupils received no interest, as relatives or friends were given the right to use the money (usufruct). This latter category included the minor children of three Chinese. The total capital was 39,396 *rijksdaalders*, some 7,000 more than it had been thirty years previously.[50] As mentioned above, both income and lending of the *diakonij* were smaller than those of the *weeskamer*. In 1770 the *diakonij* had lent a total of *rds* 7,272 to sixty-eight borrowers, of whom sixty-five were Europeans or *burghers*. Less than half the loans exceeded *rds* 100; by far the highest went to the Malay (or possibly Chinese Muslim) Ince Lonie, with *rds* 530. The only two other non-European borrowers were free native women, receiving about *rds* 100.[51]

Lending Money: Debtors and Interest Rates

Next to these institutionalized sources of credit there were also money-lenders, with whom traders maintained running accounts. The books of one unidentified lender, who seems to have catered for the merchant elite of Makassar, show that a well known Makassar trader, Simon Burggraaff, borrowed *rds* 6,000 for six years on 1 July 1768, with the chief VOC administrator as guarantor, and two houses, a ship, jewellery and slaves as security. Over the next three years, the amount owed rose and fell, as he paid some off, and borrowed anew. The Lieutenant of the Malays,

Ince Marsidong, had a similar account, based on IOUs and borrowing "in good faith". Over the three years his debt increased to *rds* 9,550; the trust this reveals reflects his political status.[52] At the other end of the lending scale were men such as Christiaan Onkers, the Lieutenant of the *burghers*. When his estate was settled in 1760, his assets included *rds* 2,380 in outstanding loans to sixty-eight debtors. Most (thirty-six) were Indonesians, including seven Buginese and six native women. The next largest groups were Malays (twelve), European men (nine), and burghers (nine), including three widows. Only two Chinese made use of Onker's services. Some of the loans were as small as four or five *rijksdaalders*, and only six were over *rds* 100, of which three went to Malays, two to Buginese, and one to a Makassarese.[53]

As was the case with the *weeskamer* or the *diakonij*, moneylenders' financial health depended on the rate of return and on maintaining a balance between good and bad debts. *Diakonij* lists for 1732 and 1733 show an interest rate of about twelve per cent, both for Indonesians who obtained credit by pawning, and for Europeans borrowing against written IOUs or *obligaties*.[54] By the 1760s, interest on institutional debts seems to have been 0.75 per cent per month, equivalent to a simple interest rate of nine per cent. In 1769, the interest on *diakonij* and *weeskamer* loans was indeed about nine per cent.[55] Rates do not seem to have been affected by the amount of the loan or by the ethnicity of the borrower. However, the established moneylender mentioned above does seem to have discriminated, no doubt on the basis of assessed risk. He received *rds* 360 interest on a year's loan of *rds* 6,000, or six per cent, from Simon Burggraaff, while at the same time charging Intje Marsidong one per cent, presumably per month, which would have been at least twelve per cent per annum.[56] Burggraaf himself also lent money, taking the Chinese Queholiang to court in 1797 when he failed to repay a loan of *rds* 1,250 that he had taken out at twelve per cent interest in 1791.[57] Unfortunately we cannot know if this higher rate was incidental, connected to Queholiang's personal creditworthiness, or reflected wider financial insecurities attendant upon the decline of the Company.

Boomgaard notes that in the seventeenth century the VOC borrowed from the Batavia *weeskamer* and, in Banda, also from the *diakonij*, as well as absorbing enormous amounts of credit from *burghers*.[58] The Company paid its creditors in Ambon and Batavia six or nine per cent, rates lower than or comparable to the institutional Makassar rates of the later eighteenth century, which were in turn below the twelve per cent

that seems to have prevailed there in the earlier 1700s. This is very little compared with the very high interest, usually twenty-four per cent, asked by the local rulers of Banten and Jambi of the English and Dutch trading companies. Chinese borrowing from Europeans in Batavia in 1640 paid between eighteen and thirty-six per cent, and in 1710, sixteen to thirty per cent. In 1657 the VOC complained about the *burghers*' tendency to seek their incomes through co-financing ships and trading ventures, and by lending money. Boomgaard attributes the *burghers*' apparent reluctance to lend to Chinese and Indonesians, and the high interest they charged, to relatively high risk, limited local demand for large capital, and lack of financial infrastructure.[59]

We have already seen that in the early 1730s, Makassarese and Buginese (often titled and powerful men) were prominent in the list of bad debtors; their access to Chamber funds declined over the years. In 1736 there was only one Makassarese listed among the "good debts" of the *weeskamer* — for fifty *rijksdaalders* out of a total of over 12,000. Eleven of the fifteen "bad debts" were held by titled Buginese and Makassarese, responsible for almost sixty per cent of the outstanding *rds* 2,765. Europeans, on the other hand, were responsible for 73 per cent of the good debts, and 29 per cent of the bad. Perhaps the Chamber was increasingly risk-averse, as, atypically, in 1736 it held more than half of its assets, some *rds* 23,325, in cash, compared with a lent sum of *rds* 18,117. Or perhaps demand was low at that time, as wars with the Wajorese prince Arung Singkang ravaged the Makassar hinterland. Total assets in 1736 amounted to *rds* 41,442.[60]

By 1761 no Makassarese or Buginese were listed as *weeskamer* debtors; one Malay owed 1,000 *rijksdaalders*, seven Chinese owed 4,257, four Christian ex-slaves owed 1,987, and all the rest (some eighty-three per cent) of the total *rds* 43,531 was down to Europeans.[61] In 1767 the chamber had *rds* 19,724 in cash, and *rds* 31,402 out on loan.[62] Two years later, loans totaling *rds* 31,394 produced interest of *rds* 1,966.[63] By 1815, when fifty-nine debtors had borrowed a total of *rds* 118,720 from the *weeskamer*, there was only one Makassarese noble among them, owing a modest *rds* 418. In contrast, twelve Chinese (including five women) had borrowed a total of *rds* 53,693, or about forty-five per cent of the total; nine peranakan Chinese (including two women) sixteen per cent; and Europeans (including *burghers*) thirty-seven per cent.[64] This reflects the ongoing "Sinification" of Makassar's economy through the second half of the eighteenth century.[65] The increase in the amount lent is striking: loans in 1815 amounted to more than eight times the 1736 total.

The extent to which different communities were vulnerable to sanctions depended on their political status, and on the degree to which they were economically tied to the town. Obviously, Makassarese or Buginese were a bad risk; big traders were often powerful enough to ignore the Dutch, while commoners might be clients of powerful lords, and flight to independent kingdoms was always an easy option. Chinese and Malay entrepreneurs were more attractive investments; they needed capital for their risky but potentially lucrative deals, to equip ships, buy commodities, and extend the credit which bound smaller traders and suppliers to them, and so guaranteed cargoes. Makassar's commerce depended on these men, but loans to them were far from risk-free. Both communities maintained close ties to ports beyond Dutch control, and while some were permanent settlers, others came and went. The "junk Chinese" from Amoy were a particularly ambiguous but economically crucial category. Their annual large ship brought tremendously rich cargoes to Makassar, and the traders spent six months there, often returning year after year to their households and clients in the town.[66] It was difficult for the Dutch to assess the creditworthiness of such groups, so well-informed guarantors, such as community leaders, were essential. Besides, trust was most easily created by shared customs, familiarity, and acknowledged intra-communal reputations. By preference or necessity, most Asians must have sought funds within their own networks, both within Makassar and abroad.

Council of Justice

Sanctions against defaulters were both social and legal. The former are difficult to identify, but easy enough to guess. The latter are better documented. Dutch courts could offer possible redress when other channels failed, so people from various communities might take the trouble and expense of registering loans. Although money could be lent on the basis of a private agreement (*onderhands obligatie*), it was safer to have the Council of Justice's secretary or First Sworn Clerk provide the necessary documents, listing the surety, guarantors' names, the date of registration, and amount owed.[67] Disputes involving loans formed a major part of the civil cases heard by the Council. The Secretary or Clerk prepared papers for submission to the full Council, taking depositions in the presence of witnesses. Both parties could retain solicitors, often legally qualified VOC officials. Cross-examination was recorded in detail, witnesses were called,

documents examined, and once a decision was made, the court would do its best to obtain compliance. Costs were awarded against the losing party, so recourse to the Council would not have been undertaken lightly. Nevertheless, sometimes the VOC courts offered a chance of redress when more informal methods of conflict resolution failed — perhaps because the balance of power within the plaintiff's community was felt to preclude fair judgment.

This is illustrated by a complex case from 1787.[68] In 1779, one Limauko, a China-based merchant in the Amoy-Makassar trade, accused his long-established partner Limkiko of defrauding him, and made numerous but unsuccessful intra-communal attempts to regain his lost capital. In 1784 a frustrated Limauko requested the personal mediation of Makassar's chief VOC merchant, but his and later Company efforts proved fruitless, although they did obtain Limkiko's reluctant admission that he owed Limauko 1,995 *rijksdaalders*. Despite this, Limkiko continued to avoid payment in both Makassar and China, reneging on promises to fulfil the debt in kind, firstly by loading *trepang* (sea cucumbers) in Makassar on Limauko's behalf, and, later, by shipping silk for him from China. Limkiko himself was under financial pressure from his own creditors, who had no desire to see him transfer funds to Limauko. But the latter was also in serious difficulties, as he had invested capital from a Canton merchant in trading ventures by Makassar Chinese and Malays, and this had to be repaid. Both were held captive in chains of credit and debt, and both needed money. In 1787 Limauko retained a solicitor to act for him before the Makassar Council of Justice.

The Council was not altogether happy to be presented with such a sensitive case involving the Amoy merchants, whose trade was essential to the town's prosperity.[69] Jurisdiction was unclear. Traditionally the Amoy merchants were subject to the control of the Dutch *syahbandar* (harbourmaster) and the junk captain from China, in contrast to Makassar's settled Chinese who were under the authority of the Company-appointed Kapitan China and the VOC (and hence the Council of Justice). Nevertheless, the Council decided to hear the Lim case, which no doubt offended the harbourmaster and the powerful junk captain, as it infringed upon their status and perquisites. Both were (or became) covert supporters of Limkiko. The captain was accused of intimidating two fellow merchants who supported Limauko, and his evasive testimony reinforced Council suspicions of Limkiko. The Council also wondered how Limkiko had prepared his case since he knew no Malay, and there was no indication of who had helped

him. He explained that the *syahbandar* had prepared the documents; this was in breach of regulations requiring identification of anyone involved in legal proceedings.

By this stage there was something of a deadlock. Although the definitive evidence was said to be in China, the Council seemed to believe Limauko, despite the powerful alliance mustered by Limkiko in his defence (the *syahbandar* and the junk captain). But there was no possibility of resolution, and time was running out, as the junk had to sail for China on the June monsoon winds. The Council was weary of the "profit-hungry" trading Chinese, and saw no alternative to suspending "*deze questileerse zaak*", this tangled or dubious affair.[70]

Despite this inconclusive end, the details of the Limauko-Limkiko case reveal the complexities of Chinese trade and credit arrangements, while suggesting that the Dutch court's authority was considerable. This is indicated not just by Limauko's persistence in thinking the Council could help him, but also in the defiance shown by his witnesses, who risked imprisonment and exile from China when they defied the junk captain. Because the Council drew upon sources of power and legitimacy that were quite external to the Chinese community, Limauko tried to use it as a lever to break the alliance against him. Dutch laws and procedure would, he hoped, expose the truth, thus defeating the Limkiko clique within the Amoy network, and negating the hostility of the junk captain and harbourmaster. He did not succeed, but he came close.

The VOC legal system was also particularly useful in disputes which crossed communal boundaries or geographic jurisdictions, enhancing its ability to resolve conflicts within extended trading relationships. This is evident in the tangles of debt and credit in the estate of the Chinese trader Soujamko, who died in Batavia. His widow and guarantor for various loans, Soutjionio, a resident of Makassar, faced claims by Joachim Tramburg, the retired Captain of the Sea Forces, who had recently left Makassar for Batavia (*rds* 2,500 at 0.75 per cent per month); by a Chinese trader living at the Moorish market in Batavia (for *rds* 1,000); and by the Batavian Captain of the Papangers, a group of Filipino origin (for *rds* 3,435). Makassar creditors included Josina Elizabeth Voll acting for the estate of the widow of the former syahbandar Jan Hendrik Voll, for *rds* 2,500.[71] This considerable total of *rds* 9,435 was only the amount claimed by those prepared and able to authorize Makassar residents to act on their behalf, and/or to hire solicitors. There were no doubt others who wrote off their losses. The Council found against the widow, and ordered her to

pay the money, plus one per cent per month interest, and costs. Every two days, throughout November 1799, the court messenger presented himself at her house, and each time, in increasing desperation, she said she could not pay. Eventually another guarantor, Limkamlo, told her to sell all her possessions, offering to make up the difference so the debts could be settled. Such forced sales were not uncommon.

There are many instances of the Council's involvement in trans-regional financial disputes.[72] For example: the Surabaya Captain of Chinese, Hantoko, sued the Makassarese Chinese Angliko for *rds* 1,100 before the Makassar Council of Justice; similarly the VOC official Francois van Boekholtz, based in Banda, appealed to the Makassar Council in order to reclaim his debt from the Naval Lieutenant Johan Smith, as shown by documents prepared in Semarang. The Makassar trader Jacob Hekman denied that the two female slaves and textiles he had sold in Batavia had actually been on consignment for *juffvrouw* Fischer, wife of the sailor Pieter Andriessen, denying her claim that he owed her the moneys received. But the Council found against him. Like many others, he tried to avoid payment when the Council messenger came, claiming illness and lack of funds, and even refusing to accept the summons. On one occasion he lost his temper, called Fischer's solicitor a "young pup" and said: "he can lick my arse". But later he became more philosophical, saying: "The gentlemen [of the Council] can do what they can justify before God". Hekman does not seem to have paid.

Conclusion

Here we have considered the roles of two charitable moneylending and profit-seeking bodies in eighteenth-century Makassar (the *weeskamer* and the *diakonij*), as well as that of the Council of Justice, as a civil court acting in financial affairs. The relevance of such a micro-study for urban economic history is twofold: it enables us to gain an impression of the networks of debt which underlay commerce and social interdependence, and also of how different communities used institutions introduced by the VOC.

In relation to moneylending, several trends emerge. Firstly, we see that after an early period in which loans were made to local nobles, their bad repayment record soon led to their disappearance from the books of the *weeskamer* and *diakonij*. Given the VOC settlement's uneasy accommodation with the Buginese and Makassarese courts, the Company's institutions could not enforce debt collection, so they stopped lending. Moreover, Dutch distrust of indigenous elites probably increased in the course of the

1700s, as Buginese rulers increasingly contested VOC authority. This is not to say that these men and women stopped borrowing; they no doubt turned to private moneylenders, European or Asian, who adjusted their interest rates to cover the increased risk attendant on potential political recalcitrance. Even so, such loans were probably extremely problematic and perhaps even dangerous, as the borrowers remained outside the community of the town.

Secondly, during the eighteenth century there was a rise in Chinese borrowing, and also in the total amount lent. This reflects the ongoing "Sinification" of trade and urban society, visible in commercial and demographic statistics, and the increasing integration of the Chinese into urban society. Their growing wealth, and the crucial significance of their trade, had moved them closer to the centre of Makassar's life.[73] Even some of the junk Chinese from Amoy had been coming so regularly that they had built up extensive commitments in the town, where they had wives and ongoing business ties.

Thirdly, we note that besides these VOC institutions there were also private moneylenders, on two of whom information has survived. These Europeans seem to have served different markets — one lending to established men from all communities, the other lending small amounts to all groups, but mainly to local Asians. We will probably never have comparable information on the eighteenth-century credit market within Makassar's Asian communities themselves, but I think it is safe to assume that their debt networks were at least as complex and dense as those of the Europeans.[74]

Fourthly, the drop in interest rates charged by the two institutions in the course of the eighteenth century is interesting. This indicates that early on there was either a relative shortage of capital, or a higher demand, or that risks were felt to be greater. This is in contrast to the longer established settlements of Batavia or Ambon, where Boomgaard notes seventeenth-century rates of six to nine per cent. The lower rate charged in Makassar in the 1760s, compared with earlier in the century, could indicate an increasing supply of capital, and/or a decline in risk, reflecting the trends referred to in the preceding paragraphs.

Turning to the court, we see that most civil cases concerned debt, and often involved bad loans which cut across geographical or ethnic lines, or touched VOC institutions. This is logical, as if conflict resolution generally took place within the separate "nations", then the Company was

most needed to resolve issues which transcended their borders. But there is also another side to the story: the possibility that Dutch institutions could overrule intra-communal hierarchies. This is exemplified in the case of the two Lims from Amoy, where Limauko used the procedures of the Council of Justice to expose his opponents' machinations, in defiance of the powerful junk captain and Company harbourmaster.

The court offered relatively powerless people a hearing beyond the control of their communal elites; this possibility of appeal to impersonal institutions rather than patronage contained the seeds of individualization within urban society. This is not to say that the court was free of prejudice and personal interest, and was incorruptible. But it was subject to outside scrutiny, and it did have strict rules, established procedures, and professional practitioners. Consequently, it represented a move towards what Weber would have called a rational bureaucratic society. It was also recognized as such. Sometimes, depending on their calculations, Asians preferred to rely on VOC regulations rather than arrangements available within their own communities.

At the same time, however, we also glimpse the Council's limitations. The court was unable to resolve the Lim case successfully, partly because its geographic reach was insufficient, and partly because it was unable, or unwilling, to challenge entrenched political and personal interests. Key documents were in China, and the harbourmaster's central role in both official and illicit trade made it impolitic to explore his dubious assistance to Limkiko. Nonetheless, the Council's involvement in this case could be seen as a step towards resolving the uncertain legal and financial position of Makassar's vital and diverse Chinese society. These tensions and ambiguities were not incidental, but structural, reflecting both the changing character of the town, and also its transitional nature.

Institutions such as the Council, *weeskamer* and *diakonij* were formed by European and Asian political and economic practice, as well as patterns of kinship, religion, and patronage. It is highly likely that people drew upon this diverse social repertoire to mobilize whichever resources seemed to offer the best chances of profit and success at a particular time. The addition of the Company's social, legal, and financial institutions to that variegated landscape was not simply a quantitative augmentation of existing resources. It was a qualitative change, and as such, represented an important potential shift in urban society.

Notes

[1] John M. Hobson, *The Eastern Origins of Western Civilisation* (Cambridge: Cambridge University Press, 2004); K. Pomeranz, *The Great Divergence: Europe, China and the Making of the Modern World* (Princeton: Princeton University Press, 2000).

[2] Heather Sutherland, "Contingent Devices", in *Locating Southeast Asia: Geographies of Knowledge and Politics of Space*, edited by Paul H. Kratoska, Remco Raben, and Henk Schulte Nordholt (Singapore: Singapore University Press, 2005).

[3] Hendrik E. Niemeyer, "Slavery, Ethnicity and the Economic Independence of Women in Seventeenth Century Batavia", in *Other Pasts: Women, Gender and History in Early Modern Southeast Asia*, edited by Barbara Watson Andaya (Honolulu: Center for Southeast Asian Studies, University of Hawaii, 2000).

[4] Leonard Blussé, *Strange Company: Chinese Settlers, Mestizo Women and the Dutch in VOC Batavia* (Dordrecht: Foris, 1986); H.E. Niemeyer, "Calvinisme en Stadscultuur: Batavia 1619–1725" (Ph.D. dissertation, Vrije Universiteit, Amsterdam, 1996); Remco Raben, "Batavia and Colombo: The Ethical and Spatial Order of Two Colonial Cities, 1600–1800" (Ph.D. dissertation, Rijksuniversiteit Leiden, 1996).

[5] An exception is Gerrit J. Knaap's "A City of Migrants: Kota Ambon at the End of the Seventeenth Century", *Indonesia* 51 (1991): 105–28. Other exceptions are reviewed on p. 128 of the same article.

[6] Heather Sutherland, "Eastern Emporium and Company Town: Trade and Society in Eighteenth-Century Makassar", in *Brides of the Sea: Port Cities of Asia from the 16th–20th Centuries*, edited by Frank Broeze (Kensington: New South Wales University Press, 1989).

[7] Gerrit Knaap and Heather Sutherland, *Monsoon Traders: Ships, Skippers and Commodities in Eighteenth-Century Makassar* (Leiden: KITLV Press, 2004); Heather Sutherland, "Trepang and Wangkang: The China Trade of Eighteenth-Century Makassar", in *Authority and Enterprise Among the Peoples of South Sulawesi*, edited by Roger Tol, Kees van Dijk, and Greg Acciaioli (Leiden: KITLV Press, 2000).

[8] K.N. Chaudhuri, *Trade and Civilisation in the Indian Ocean: An Economic History from the Rise of Islam to 1750* (Cambridge: Cambridge University Press, 1985), p. 210.

[9] Ibid., pp. 210–20; Pomeranz, *The Great Divergence*, pp. 174–77; Hobson, *The Eastern Origins of Western Civilisation*, pp. 80–81. On bills of exchange in Europe, see Fernand Braudel, *Civilisation and Capitalism, 15th–18th Century, Volume Ii: The Wheels of Commerce* (London: Fontana/Collins, 1985), pp. 142–48.

[10] Hui Kian Kwee, *The Political Economy of Java's Northeast Coast, c. 1740–1800: Elite Synergy* (Leiden: Brill, 2006); Luc Nagtegaal, *Riding the Tiger: The Dutch East Indies Company and the Northeast Coast of Java, 1680–1743* (Leiden: KITLV Press, 1996); Sanjay Subrahmanyam and C.A. Bayly, "Portfolio Capitalists and the Political Economy of Early Modern India", in *Merchants,*

Markets and the State in Early Modern India, edited by Sanjay Subrahmanyam (Delhi: Oxford University Press, 1990). See also M.N. Pearson, "Merchants and States", in *The Political Economy of Merchant Empires*, edited by James D. Tracy (Cambridge: Cambridge University Press, 1991).

[11] Heather Sutherland, "Trade, Court and Company: Makassar in the Later Seventeenth and Early Eighteenth Centuries", in *Hof en Handel: Aziatische Vorsten en de VOC, 1620–1720*, edited by Elsbeth Locher-Scholten and Peter Rietbergen (Leiden: KITLV Press, 2004).

[12] Anthony Reid, *Southeast Asia in the Age of Commerce 1450–1680, Volume Two: Expansion and Crisis* (New Haven: Yale University Press, 1993), Chapter Two; Gerrit J. Knaap, "A City of Migrants: Kota Ambon at the End of the Seventeenth Century", *Indonesia* 51 (1991): 116. In about 1650, before the Dutch conquest of Makassar, one Malay trader in the city was owed over 1,200 *rijksdaalders* by a local noble, and almost the same amount by the king of Pasir in Borneo — see Heather Sutherland, "The Makassar Malays: Adaptation and Identity, c.1660–1790", in *Contesting Malayness: Malay Identity Across Boundaries*, edited by Timothy P. Barnard (Singapore: Singapore University Press, 2004), p. 83.

[13] Anthony Reid, "Introduction: Slavery and Bondage in Southeast Asian History", and Heather Sutherland, "Slavery and the Slave Trade in South Sulawesi, 1660s–1800s", both in *Slavery, Bondage and Dependency in Southeast Asia*, edited by Anthony Reid (St. Lucia: Queensland University Press, 1983).

[14] C.R. Boxer, *Francisco Vieira de Figueiredo: A Portuguese Merchant-Adventurer in South East Asia, 1624–1667* (The Hagne: Martinus Nijhoff, 1967); Reid, *Southeast Asia in the Age of Commerce 1450–1680, Volume Two: Expansion and Crisis*; Sutherland, "Trade, Court and Company".

[15] Chin-Keong Ng, *Trade and Society: The Amoy Network on the China Coast, 1683–1735* (Singapore: Singapore University Press, 1983), pp. 54–55.

[16] H.D. Evers, "Chettiar Moneylenders in Southeast Asia", in *Marchands et Hommes d'Affaires Asiatiques dans l'Océan Indien et la Mer de Chine, 13e–20e Siècles*, edited by Denys Lombard and Jean Aubin (Paris: École des Hautes Études en Science Sociales, 1988); David Faure, *China and Capitalism: A History of Business Enterprise in Modern China* (Hong Kong: Hong Kong University Press, 2005); Reid, *Southeast Asia in the Age of Commerce 1450–1680, Volume Two: Expansion and Crisis*, pp. 111–12; Michael T. Skully, "The Development of the Pawnshop Industry in East Asia", in *Financial Landscapes Reconstructed: The Fine Art of Mapping Development*, edited by F.J.A. Bouman and Otto Hospes (Boulder: Westview Press, 1994).

[17] J.L. Vleming, *Het Chineesche Zakenleven in Nederlandsch-Indië* (Weltevreden: Landsdrukkerij, 1926), pp. 186–92; David Faure, *China and Capitalism: A History of Business Enterprise in Modern China*.

[18] Claudine Salmon, "Ancestral Halls, Funeral Associations, and Attempts at Resinicization in Nineteenth-Century Netherlands India", in *Sojourners and Settlers: Histories of Southeast Asia and the Chinese*, edited by Anthony Reid (St. Leonards, New South Wales: Allen and Unwin, 1996), pp. 184–87.

[19] The Li and Nio families, builders of two of the extant ancestral halls in Makassar, can be traced back to the early eighteenth century; they were prominent traders and tax farmers in the 1700s and continued to provide Captains of the community through the nineteenth century. A forthcoming publication will describe their history in detail, drawing upon archival and interview material as well as family genealogies.

[20] Ng, *Trade and Society: The Amoy Network*, pp. 101–02; Vleming, *Het Chineesche Zakenleven in Nederlandsch-Indië.*

[21] Ibid., pp. 138–49.

[22] Chaudhuri, *Trade and Civilisation in the Indian Ocean,* p. 212.

[23] Lakshmi Subramanian, "Banias and the British: The Role of Indigenous Credit in the Process of Imperial Expansion in Western India in the Second Half of the Eighteenth Century", *Modern Asian Studies* 21 (1987): 473–510; Jeyamalar Kathirithamby-Wells, "Restraints on the Development of Merchant Capitalism in Southeast Asia before c.1800", in *Southeast Asia in the Early Modern Era: Trade, Power and Belief*, edited by Anthony Reid (Ithaca, New York: Cornell University Press, 1993), p. 146.

[24] Reid, *Southeast Asia in the Age of Commerce 1450–1680, Volume Two: Expansion and Crisis*, p. 129; M.A.P. Meilink-Roelofsz, *Asian Trade and European Influence in the Indonesian Archipelago between 1500 and about 1630* (The Hague: Martinus Nijhoff, 1962).

[25] Christine Dobbin, "Islam and Economic Change in Indonesia, 1750–1930", in *Indonesia: The Making of a Culture*, edited by J.J. Fox (Canberra: Research School of Pacific Studies, Australian National University, 1980).

[26] Peter Boomgaard, "Geld, Crediet, Rente en Europeanen in Zuid- en Zuidoost-Azië in de Zeventiende Eeuw", in *Kapitaal, Ondernemerschap en Beleid: Studies over Economie en Politiek in Nederland, Europa en Azië van 1500 tot Heden*, edited by C.A. Davids, W. Fritschy, and L.A. van der Valk (Amsterdam: NEHA, 1996), p. 500.

[27] Anthony Reid, "Pluralism and Progress in Seventeenth-Century Makassar", in *Authority and Enterprise Among the Peoples of South Sulawesi*, edited by Roger Tol, Kees van Dijk, and Greg Acciaioli (Leiden: KITLV Press, 2000), pp. 64–67.

[28] Fernand Braudel, *Civilisation and Capitalism*, translated by Sian Reynolds (New York: Harper Collins, 1982), p. 556; Chaudhuri, *Trade and Civilisation in the Indian Ocean*, p. 210; Kathirithamby-Wells, "Restraints on the Development of Merchant Capitalism in Southeast Asia", pp. 139–41.

[29] Braudel, *Civilisation and Capitalism*, p. 122.

[30] P. Mathias, "Strategies for Reducing Risk by Entrepreneurs in the Early Modern Period", in *Entrepreneurs and Entrepreneurship in Early Modern Times: Merchants and Industrialists Within the Orbit of the Dutch Staple Market*, edited by C. Lesger and L. Noordegraaf (The Hague: Smits, 1995), pp. 5–24.

[31] Reid, *Southeast Asia in the Age of Commerce 1450–1680, Volume Two: Expansion and Crisis*, p. 112.

[32] S. Korteweg and F.A.G. Keesing, eds., *Het Moderne Geldwezen* (Amsterdam: Noord Hollandse, 1979), vol. IIA, pp. 41–45.

[33] Makassar, unlike Batavia, had no elaborate system of collegiate urban administration. The VOC capital had a *college van schepenen* (board of aldermen) and a *college van heemraden* (polder board). Public order was maintained by the *baljuw* (bailiff) and his men or *kaffers*. Makassar's society was essentially in the hands of individual VOC officials, notably the fiscaal or prosecutor.

[34] Blussé, *Strange Company*, p. 197; see also Raben, "Batavia and Colombo", pp. 199–200.

[35] Niemeyer, "Calvinisme en Koloniale Stadscultuur", pp. 91–123; Raben, "Batavia and Colombo", pp. 274–77.

[36] Hendrik E. Niemeyer, *Batavia: Een Koloniale Samenleving in De 17de Eeuw* (Amsterdam: Balans, 2005); Niemeyer, "Calvinisme en Koloniale Stadscultuur".

[37] S. Groenveld, J.J.H. Dekker, and Th.R.M. Willemse, *Wezen en Boefjes: Zes Eeuwen Zorg in Wees- en Kinderhuizen* (Hilversum: Verloren, 1997), p. 124.

[38] Blussé, *Strange Company,* p. 162.

[39] The *rijksdaalder* (abbreviated *rd*) was a standard Dutch silver coin of 2.5 guilders. In terms of modern (2007) prices it was worth about twenty-five U.S. dollars, although it should be remembered that incomes were much lower in the past than today.

[40] Niemeyer, "Calvinisme en Koloniale Stadscultuur", pp. 280–86. See also Margreet van Till, "Social Care in Eighteenth-Century Batavia: The Poorhouse, 1725–1750", *Itinerario: European Journal of Overseas History* 19 (1995): 18–31. In one of the few analyses of financial affairs in seventeenth-century Asia, Peter Boomgaard has noted that the VOC borrowed enormous amounts of money from the *vrijburgers* (Europeans not in Company service), paying them interest, and thus, in fact, operating as a savings bank ("Geld, Crediet, Rente", p. 496).

[41] NA VOC 1327, f. 4. References in this format designate documents from the archives of the Dutch East India Company (VOC) held in the Nationaal Archief at The Hague, and give inventory and folio (page) numbers.

[42] NA VOC 3760, f. 44.

[43] To give some sense of proportion, it is worth noting that a VOC soldier received a monthly salary of about 5.5 *rijksdaalders* (plus rations); a simple bamboo house and land could sell for about fifty *rds*, and a solid stone house in one of the best streets for over 1,000 *rds*; while slaves were typically valued at between twenty and thirty *rds*.

[44] NA VOC 2192, ff. 133, 436.

[45] NA VOC 2345, ff. 277–78.

[46] NA VOC 2192, f. 750.

[47] NA VOC 2285, ff. 322–25, 394–96.

[48] NA VOC 2381, f. 465.

[49] NA VOC 2466, ff. 92–97, 211–13, 262.

[50] NA VOC 3302, ff. 127–48, 154–56.

[51] NA VOC 3302, ff. 18–21.

[52] Gemeentearchief Amsterdam (Amsterdam Municipal Archives), Koopmansboeken collection, no. 146.

[53] NA VOC 2990, ff. 113–14 (Bijlagen Resoluties).
[54] NA VOC 2238, f. 445; VOC 2285, f. 394.
[55] NA VOC 3243, f. 35; VOC 3273, f. 28; VOC 3023, ff. 13–19.
[56] Koopmansboeken, no. 146.
[57] ANRI Makassar 242/1. References in this format designate documents from the Makassar collection of the Arsip Nasional Republik Indonesia (National Archives of the Republic of Indonesia), Jakarta.
[58] Boomgaard, "Geld, Crediet, Rente", p. 496.
[59] Ibid., pp. 501, 507–08.
[60] NA VOC 2381, f. 465.
[61] NA VOC 3023, ff. 23–24.
[62] NA VOC 3210, ff. 101–03.
[63] NA VOC 3243, ff. 127–29.
[64] ANRI Makassar 179/22.
[65] Knaap and Sutherland, *Monsoon Traders*.
[66] Sutherland, "Eastern Emporium and Company Town".
[67] See, for instance, NA VOC 1762, f. 127.
[68] The following paragraphs are based on the extensive dossier in ANRI Makassar 342/2.
[69] Knaap and Sutherland, *Monsoon Traders*, pp. 145–49; Sutherland, "Trepang and Wangkang".
[70] ANRI Makassar 342/2.
[71] ANRI Makassar 242/1.
[72] The following selection of cases are all included in ANRI Makassar 242/1.
[73] Sutherland, "Trepang and Wangkang".
[74] Compare Peter Boomgaard, "Buitenzorg in 1805: The Role of Money and Credit in a Colonial Frontier Society", *Modern Asian Studies* 20 (1986): 33–58.

6
Money and Credit in Chinese Mercantile Operations in Colonial and Precolonial Southeast Asia

Kwee Hui Kian

This chapter describes how money and credit featured in the economic operations of Chinese merchants in Java, and more generally in maritime Southeast Asia, from precolonial times up to the early twentieth century. It first outlines the general development of Southeast Asian Chinese economic activities over this period, including the advance of Chinese capital and labour beyond shipping and trading activities into the realm of production during the seventeenth and eighteenth centuries. Attention is given to the roles played in this process by petty coinage, tax farming, and credit institutions. The chapter examines how capital was borrowed and pooled for investment, why charitable and community organizations such as the Kong Koan (Chinese Council) of Batavia and the Tjie Lam Tjay Association ("House of Aid and Direction") in Semarang, as well as Chinese temples and clan associations, emerged as important sources of finance, and why the importance of such institutions as credit providers declined from the late nineteenth century onward.

Chinese Economic Activities in Precolonial Southeast Asia

During the first millennium, trading links were already established between South China and Southeast Asia (Wang 2003; Christie 1998). While the historical literature has generally referred to the traders as "Chinese", closer studies indicate that the first commercial connections were probably established by Austronesian seafarers. By the fourteenth century, the trading community seems to have been one of hybrid ethnicity; only in

later times did it come to be identified as unambiguously Chinese (Reid 1996; Schafer 1967; Siu and Liu 2005). Initially the main Southeast Asian products involved in the trade with China were resins, benzoin, camphor, rhinoceros horn, and sandalwood. By the fifteenth century this list had expanded to include black pepper, sappanwood, sea cucumber, bird's nests, tortoiseshell, coral, cloves, nutmeg, and mace (Chang 1991; Ptak 1999, chapters 1, 3, 7–10, 12–13). In the sixteenth and seventeenth centuries, the chief products sought by the Chinese in maritime Southeast Asia were sugar, bird's nests, sea cucumber, pepper, tin, and timber. By the eighteenth century there was also a demand, in the flourishing economy of South China, for Southeast Asian rice (Cushman 1993; Viraphol 1977, pp. 74–79). In exchange for these goods, traders brought to Southeast Asia Chinese goods such as silks, porcelain, tobacco, combs, fans, ceramics, and ironware (Blussé 1986).

By the sixteenth century, when European sources begin to throw their relatively detailed light on Southeast Asian history, Chinese traders were observed to be venturing beyond the port cities of Indonesia to buy up pepper and rice in the producing areas at lower prices than could be obtained from middleman traders. Some well-capitalized merchants were also engaged in tax farming, leasing from the ruling authorities the right to tax traders and travellers at ports and marketplaces, and along strategic roads, rivers, and bridges. Members of the indigenous political elite sometimes even farmed out the right to extract head taxes from the population of whole villages or groups of villages. Other forms of revenue farming included the leasing of local monopoly or monopsony rights to the sale or purchase of valuable products such as bird's nests, salt, sea cucumbers, tin, pepper, textiles, cotton, and (in later periods) opium. In many polities, the collection of taxes on entertainments like *ronggeng* was also farmed out.[1] Revenue farming remained a key activity of Chinese and other foreign merchants until its demise and abolition in the late nineteenth and early twentieth centuries. Harbourmaster and toll-gate tax farms were particularly sought after by Chinese *towkay* (merchants).[2]

During the early modern period, the Chinese in Southeast Asia also began to venture into the realm of production. Having established Batavia as its headquarters in 1619, the Dutch East India Company encouraged Chinese immigration to the town, sometimes even physically uprooting established merchants from the neighbouring Javanese port-towns. Once in Batavia these *towkay* not only conducted trade, but also brought in Chinese coolies to construct public works for the Dutch and to manufacture sugar

(Blussé 1986, pp. 35–96; Mazumdar 1998, pp. 326–29). This was only the beginning of Chinese production activities in the Nanyang region.[3] In the late seventeenth century large groups of Chinese immigrants, sometimes as many as 3,000 at a time, started arriving in Vietnam and the Gulf of Siam as refugees from upheaval in South China, where Ming loyalists were fighting Qing armies following the fall of the Ming dynasty in 1644. The immigrants made pacts with the local authorities and were permitted to settle and grow rice on what Li Tana refers to as the "Water Frontier", in what are now the southern borderlands between Cambodia and Vietnam (Chen 1979; Li 2004). In the same period, Chinese miners started arriving on the tin-rich islands of Bangka and Belitung, and in the goldfields of western Borneo.[4]

Money and Credit in Chinese Economic Ventures

In order to facilitate their purchase of Southeast Asian products from local producers, traders seem by the end of the first millenium to have introduced to the region Chinese coins such as the *pici*, also known as the *kepeng*. Made from an alloy of copper, and lead and/or tin, the earliest *pici* used in Java were probably bronze ones imported from China between the years 998 and 1004. This speculation is based on the fact that the tin and lead *pici* manufactured on Java in the twelfth century, which were modelled on Chinese originals, bore the reign title "Xian Ping" (998–1004) of Emperor Zhenzong (997–1022) of the Song dynasty (960–1279). In the Indonesian archipelago, locally minted *pici* circulated alongside similar coins made in Tonkin and Japan as well as South China.[5]

Indian and Persian rupees (*ropia, ropij*) were also imported to Indonesia as middle-range currencies. It is no coincidence that the earliest petty and medium-denomination coins to circulate in Southeast Asia were introduced from China and India. Traders originating from, or engaged in commerce with, those countries were the first to penetrate the economic hinterlands of the region. While large-denomination coins of the silver "piloncito" and "sandalwood flower" types had been produced locally in Java since the ninth century, these would have been too high in value for use in small purchases at the lower levels of the economy.[6] In the eighteenth century the Dutch-minted *doit*, a much sturdier petty coin than the *pici*, was to became the predominant type of small coinage in Java (Kwee 2006, pp. 97–118).

To ensure that they would acquire the desired (quantity of) products, Chinese traders also offered advance payments, effectively loans, to producers. Two basic types of credit practice can be distinguished, one

applying to Indonesian farmers, the other to Chinese labourers. Regarding the first of these, the earliest detailed accounts come from Central and East Java in the seventeenth century. A Chinese trader would negotiate a price with his supplier, then hand over a certain percentage of the agreed price as advance payment. The cultivator was thereby involved in a debt relationship with the trader, to whom he was obliged to sell part or all of his harvest. The sale itself would also be transacted at the agreed price, benefiting the trader during years when the harvest was poor and the cultivator could otherwise have obtained a higher price, or the buyer when the harvest was good and prices low. In this way, traders obtained security both against unexpected weather conditions, and against competing buyers (Kwee 2006, pp. 32, 51, 54–55, 67).

In the case of credit relations with Chinese labourers, a representative or head of coolies would borrow money from a group of *towkay*. Having obtained the loan, he would then distribute the credit, and debt, among his fellow workers. The loan procedure could be initiated either by the coolie leader himself, or by *towkay* who wished to develop a plantation or mining business in a particular region. This practice was observed in the gambier and pepper industries in Riau, Singapore, and Johor, in tin mining on the Malay Peninsula, and in gold mining in western Borneo during the eighteenth and nineteenth centuries.[7] Chinese sugar cultivators in seventeenth-century Batavia probably used similar systems of credit and debt. Chinese peddling traders in Java in the early twentieth century also obtained their initial capital from the *towkay* class, and it would not be too far-fetched to surmise that they had done so since the early modern period (Van Laanen 1990; Vleming 1926).

The Chinese *towkay* themselves also made use of sources of capital other than individual savings, often pooling resources by means of institutions known as *hui* (*hwee*) and *kongsi* (*gongsi*). Both institutions entailed shareholding, partnership, and collective management. Each individual member would hold one or more shares in the pooled capital, and profits would be divided accordingly. Some members would own more shares than others, thus paying more *huoqian* — share money — and in turn enjoying greater dividends than did smaller investors. The earliest written evidence of these practices in Southeast Asia, to my knowledge, appears in the *Gong'an Bu* or minutes of the board meetings of the Chinese Council (Kong Koan) of Batavia, which mention the formation of *hui* (*couhui*) and describe issues of owing *huoqian* (*qian huoqian*) in the 1780s (*Gong'an Bu* 2002–2007, vol. 1, pp. 2, 50).

Through shareholding and partnership, Chinese merchants in Southeast Asia were able to undertake investments which would have been far beyond their reach as individuals. Among the most dramatic examples were the *kongsi* — conglomerations or "syndicates" — formed by major Chinese *towkay* in nineteenth-century Singapore and Java in order to acquire opium tax farms, which were allocated by auction to the highest bidder (Rush 1990; Trocki 1991). Numerous more modest examples are described in the *Gong'an Bu*. In 1789, for example, three *towkay* — Wang Xun, Ye Wang, and Yang Wang — cooperated to acquire the tax farm covering the district of Mangga Dua in Batavia. The requisite capital of 300 *rijksdaalders* was divided into ten parts, with Wang taking up four shares while Ye and Yang owned the remaining six (*Gong'an Bu* 2002–2007, vol. 1, pp. 188–90). Lacking the capital to run the gambling tax farm in Batavia, one Chen Qing formed a partnership with Chen Jiang, Chen Shi, and Ji Jiangyan, in which each of the four contributed 125 *rijksdaalders* to a collective 500-*rijksdaalder* bid for the enterprise (Ibid., pp. 69–70). As with larger syndicates, the group formed as the result of such a business partnership was referred to as a *kongsi*.

Similar *kongsi* were formed to acquire the rights to establish gambier plantations in the Riau-Singapore-Johor region in the eighteenth and nineteenth centuries (Trocki 1979, pp. 126–86). By the nineteenth century, multiethnic *kongsi* were evolving as Malay *raja* and Bugis *yang dipertuan* (prime ministers), as well as other high officials and blood relatives of the *raja*, became partners in predominantly Chinese syndicates. It is likely that these Malay and Bugis participants were not investors, but political facilitators brought in to ensure smooth running of a tax farm, plantation, or mining undertaking. One *kongsi*, holding a concession to the riverine region of Sekudai and Tebrau in Johor, consisted entirely of Arab merchants, signalling that this form of business cooperation had also been imitated by, or had close parallels among, other ethnic groups (Ibid., pp. 128–29, 170–75).

Besides the *kongsi* formed by wealthy merchants and their political allies, more egalitarian forms also existed. Shares in the big Chinese mining *kongsi* of eighteenth-century Borneo, for instance, were owned by the miners themselves. Wang Tai Peng (1994, pp. 9–54) argues that this system derived from a prototype called *fengu hehuo* — literally, "dividing into shares" — which was already in operation during the sixteenth century in Yunnan mining areas, among maritime traders in Fujian, and as a form of self-government among Hakka migrants. The leader of each mining *kongsi*

was elected, and its administration was based on a democratic process in which every miner/shareholder had a vote. The system became increasingly less democratic, however, in the nineteenth century, when these *kongsi* ran into financial trouble and investments from *towkay* were required to save them (Wang 1994, pp. 88–95).

> At first the rich towkays made loans to private miners at a high rate of interest, 24 to 36 per cent. When private miners were unable to pay out the rents, the towkays continued to lend money to them but under harder conditions, demanding also some of the shares for themselves.
>
> (Wang 1994, p. 90.)

Trocki (1976) suggests that the *kongsi* controlling gambier production in Riau underwent a similar development over time from egalitarian to hierarchical forms. Originally it was individual gambier planters who pooled their resources to lease river systems from the Malay rulers, and the *kangchu* or "river-port chief" was himself one of the planters. By the nineteenth century, however, the *kangchu* was usually a *towkay* who owned shops or businesses in the port, and invested money in the *kongsi* without contributing any labour.

The distinction between *hui* and *kongsi* is not entirely clear. On its own, *hui* simply means "meeting" or "gathering", whereas *kongsi*, in its modern meaning, refers to a (commercial) partnership or company. In nineteenth-century Borneo, according to Wang Tai Peng (1994, pp. 3–4), the distinction was simply a matter of scale: when a *hui* became very large, with hundreds or thousands of members, it was known as a *kongsi*. Yuan Bingling, on the other hand, argues that *hui* were originally temple and cult groups from South Chinese villages. Migrants took these institutions with them to the goldfields of Borneo, where they became prototypes or templates for the new miners' organizations. When the transformed mining *hui* also fortified themselves against attack by Dayaks, becoming autonomous micro-states capable of waging war, they were renamed *kongsi* (Yuan 2000, pp. 9–10, 13). In port towns such as Melaka, Penang, and Singapore, however, many different religious, social, and commercial groupings among Chinese immigrants, *towkay* and coolies alike, were referred to indiscriminately either as *hui* or *kongsi*.[8] For our purposes, it is probably sufficient to understand both terms as referring to forms of shareholding, partnership, and collective management that are utilized for commercial purposes as well as social and religious activities.

Some *hui* were rotating savings and credit associations, similar to the *arisan* of Java. There were two types: the *ganhui* or "dry *hui*", and the *shihui* or "wet *hui*". The *ganhui*, like most *arisan*, was a non-profit endeavour that helped generate savings among small farmers and common people. At each periodic meeting, all participants would contribute the same prearranged sum to a kitty. This was immediately disbursed to that member whose turn it was to receive it, the order of the turns being determined either by lottery or according to need. The *shihui*, by contrast, had an inbuilt commercial component in that the order of kitty allocation was determined by an auction process. A member who could afford to wait until the last meeting before receiving the kitty was rewarded with a lower periodic contribution than one who needed money fast, and so the former profited from his or her function as creditor to the latter. Rotating credit *hui* are still popular today among older Chinese people (in their fifties and above) in Indonesia, Malaysia, and Singapore, although among the Indonesian Chinese they are more commonly known as *arisan*. The term *kongsi*, meanwhile, is still alive in the colloquial Hokkien of Singapore and Malaysia, where it is used in the sense of "I *kongsi* (to do) something with you", referring to the sharing of anything from a packet of sweets to a major task or project.

In the early modern period, Chinese merchants, besides pooling capital collectively, also borrowed it at interest from individuals or institutions. In areas ruled by the Dutch East India Company, creditors included both Company employees and *burghers*, or European private traders (Blussé 1986, pp. 125–26). In the nineteenth century, Chinese entrepreneurs borrowed increasingly from Indian Chettiar moneylenders and European banks.[9] Less well known is that they also borrowed from social and philanthropic associations. The following section examines the relatively well documented financial operations of two such associations in colonial Indonesia, the Chinese Council (Kong Koan) of Batavia and the Tjie Lam Tjay (literally, "House of Aid and Direction") in Semarang.

Chinese Philanthropic Associations as Credit Providers in Colonial Indonesia

The Batavia Kong Koan was established in 1742, and ceased to exist in the 1950s. At the time of its foundation, an informal council for managing the internal affairs of the Chinese community in Batavia had apparently

already existed since the late seventeenth century. After the Chinese Massacre of 1740, and during the period when the Chinese War was still raging in Java, the VOC felt the need to acquaint itself better with the Batavia Chinese (Vermeulen 1938). The creation of an officially endorsed Chinese Council formed part of its strategy for doing so. The Kong Koan committee was composed of the Chinese officers in the city, the number of which varied but did not exceed eight, and chaired by the most senior among them, who in the nineteenth century bore the title of *major* (Blussé and Chen 2003).

In the 1850s, Tan Eng Goan (1837–65), *major* of Batavia and also the key tax farmer and merchant in the port-town, obtained a loan of *f* 24,078 from the Kong Koan.[10] This was a huge sum considering that a Chinese clerk working for the Council earned just *f* 10–15 per month. Tan Eng Goan repaid the debt over five years together with interest totalling *f* 4,635 or nineteen per cent of the principal, representing a very moderate annual interest rate.[11] Other prominent *towkay* also borrowed large sums. The Batavia Kong Koan could offer such loans thanks to its sizeable income, which far exceeded its expenses despite its involvement in a wide range of cultural, educational, and philanthropic activities: setting up schools, defraying temple and ritual costs, providing charitable support to impecunious Chinese, and even building public infrastructure such as roads and bridges.[12] Approximately half of the Council's income was derived from the lease and sale of land and property. Before 1870, the year in which the Agrarian Law prohibited foreigners from purchasing land from indigenous Indonesians, the Kong Koan had acquired large tracts of private land (*particuliere landerijen*) in the vicinity of Batavia, including the areas of today's Jakarta Kota, Menteng-Cikini, Matraman, Gunung Sari, Jembatan Merah, and Tanjung Priok (Hesseling-Tjan 2003, pp. 113–15). In 1860 its property was worth *f* 39,000; by 1906, *f* 478,000.

About another third of the Kong Koan's income came from selling small plots of land in Tanjung, Slipi, Janti, Jelambar, and Chilang to Chinese people for burial purposes.[13] This was a lucrative business; income from the sale of plots in the Tanjung cemetery alone amounted in the period 1830–53 to over *f* 35,000. Between 1861 and 1906, there were three years in which the annual revenue from such sales exceeded *f* 10,000. In 1907, the colonial government intervened to halve the price of burial plots in Tanjung (Li 2003, pp. 88, 91–92). That price nevertheless remained substantial and in the 1920s the municipal council, which was

attempting to clear some Chinese burial grounds to make way for other types of land use, once again accused the Kong Koan of driving up land values (Hesseling-Tjan 2003, p. 114).

The Tjie Lam Tjay was founded in 1892 with the stated objectives of managing Chinese cemeteries, supporting ritual and religious activities, and helping the Chinese poor of Semarang.[14] The executive committee of the association consisted of five members: a president, a treasurer, two accountants (one of whom checked the accounts of the association, while the other was responsible for receiving money), and an official in charge of rental fees. As in the case of the Batavia Kong Koan, the main income of the Tjie Lam Tjay came from property rents and the sale of burial plots. Surplus funds were partly deposited in Dutch banks to earn interest (Tjie Lam Tjay minutes, 1910), and partly lent out at interest to individual borrowers. The account book for 1921, for instance, shows that in that year the brothers Be Biauw Tjoan and Be Biauw Ong (members of a prominent family of Semarang *towkay*) repaid *f* 13,000 on an earlier loan from the association, together with interest (*lixi*) amounting to *f* 3,199, and also borrowed a further *f* 23,450.[15]

The role of the Tjie Lam Tjay as a commercial credit provider made the transparency of its accounts a major concern. Its constitution stipulated that those in charge of the accounts (*sizhang zhi ren*) — that is, the treasurer, the two accountants, and the official in charge of receiving rental fees — were obliged to update the books daily, and once a year to post a synopsis of the annual accounts on the wall of the association's temple. These rules were reiterated each year during the annual opening meeting. Other safeguards included the stipulation that any decision regarding funds in excess of *f* 100 required the agreement of all five committee members (Tjie Lam Tjay minutes, 1910, 1921, 1924).

The importance of such safeguards is illustrated by the controversy surrounding abovementioned Batavia *major* and Kong Koan chairman Tan Eng Goan, whose borrowing from the Council in the 1850s was apparently related to financial problems affecting his alcohol and tobacco tax farming businesses. During this same period, Tan illicitly took personal charge of the Kong Koan account books. The treasurer of the Council made several protests, and even filed a lawsuit against him, before he was willing to hand the books over. A decade later the Chinese officers in Batavia, who, as noted, were all committee members of the Kong Koan, formed a separate agency called the Chichang Office to handle all monetary loans. Unfortunately, the

archive record is silent about the workings of this reconstituted community credit business.[16] Thanks to the surviving archives of the Batavia Kong Koan and the little that is left of the records of the Semarang Tjie Lam Tjay, it has nevertheless been possible here to catch a glimpse of how Chinese social and charitable associations also served as financial institutions. This phenomenon was probably widespread, but in most cases either went undocumented even at the time, or has left no surviving evidence.[17]

The Role of Chinese Temples and Clan Associations

The phenomenon of charitable and social organizations managing property, and earning income from the lease and sale of property, developed into an established tradition in South China after the Song Dynasty (960–1279). Donors would bequeath houses or land to a private association, so that the lease or sales of these pieces of property could help fund the association and its activities. Such associations ranged from temples and lineage organizations to educational, cultural, and philanthropic bodies. The term "temple property" (*miaochan*) refers to houses and land set aside to fund a temple and its ceremonies (Zheng 2003).

It is interesting that when one is studying Chinese organizations in Southeast Asia, the management of cemetery plots often emerges as one of their most important functions. Major Chinese temples in the port cities, including Cheng Hoon Teng in Melaka, Tay Kak Sie in Semarang, Leong San Tong in Penang, and a number of temples in Singapore, housed social and charitable institutions that managed Chinese burial matters (Salmon 1997, pp. 363–70, 382–91; Wolfgang 1982, pp. 263–84, 367–77; 1985, pp. 856–65). In 1666, the Dutch East India Company sold the Chinese community in Batavia a piece of land near the Jacatra redoubt — the Dutch fort in Batavia — for use as a cemetery. The voluntary organization that managed this cemetery was probably the precursor of the Kong Koan (Blussé and Chen 2003, p. 2).

In Singapore, with its very large and diverse Chinese population, there were various such organizations, each serving a particular group based on dialect, surname, or village/province of origin in China. Singapore Kwong Wai Siew Peck San Theng, for instance, was a temple-cum-burial organization formed in 1871 among migrants from Guangzhou, Huizhou, and Zhaoqing in Guangdong province (Zeng 2000). Cheng San Teng and Hok Tek Chi Loke Yah Teng were similar organizations formed

earlier in the nineteenth century among Hakka- and Cantonese-speaking migrants from Jiayingzhou, Fengshun, Dapu, Guangzhou, Huizhou, and Zhaoqing in Guangdong province, and from Yongding in Fujian (Zeng 2005).[18]

The cemetery-centred character of these Chinese organizations in Southeast Asia was related to the peculiar composition of the Chinese community in the region, which was dominated by male sojourners without their families. Many died penniless in exile, leaving no provision for their bodies to be returned to China. Proper burial of the dead was, and still is, a major issue for Chinese people in Southeast Asia, particularly those hailing from Fujian and Guangdong. The popular belief is that the wandering souls (*guhun yegui*) of individuals who die violently, or whose burial or other mortuary matters are not properly taken care of, will harm or "pollute" the realm of the living (Watson 1988). It is noteworthy that the most significant calendrical ritual among the Southeast Asian Chinese is traditionally the Hungry Ghost Festival (Zhongyuan Jie) in the seventh month of the lunar calendar. During this thirty-day period, it is believed that all ghosts are released from the gates of hell, and the living must conduct purgatory rites to appease them.

With regard to credit and finance, Chinese temples and other socio-cultural associations not only acted as loan agencies, or housed such agencies, but also facilitated capital pooling activities in indirect ways. Meetings of rotating credit and capital-pooling societies (*hui* and *kongsi*) were very often conducted on the premises of a temple or clan association.[19] In some cases a commercial *kongsi* was actually synonymous with a temple or clan. An example was the Tan Kongsi of nineteenth-century Melaka, which was one and the same as the Tan Clan Association, headed by the renowned merchant Tan Tock Seng.[20] Another was the Khoo Kongsi of Penang, also known as the Khoo Lineage Association. This *kongsi* belonged to one of the so-called "Big Five" mercantile families in nineteenth- and twentieth-century Penang. The Khoo Kongsi built its own temple, called the Leong San Tong, in 1851. Later, in the 1930s, it also established its own burial ground at Batu Gantong in Penang (Wolfgang 1985, pp. 765–66, 856–65).

Some so-called lineage organizations were actually multi-lineage contractual formations, as in the case of the Tan ancestral temple, also known as the Wee Hwee Kiong temple, in Semarang. This temple was established in the early nineteenth century by Tan Tiang Tjhing (1770–1833) and his descendants. Members of his family occupied the highest

administrative positions available to the Chinese in the port-town during this period and held the opium tax farm, perhaps the most lucrative of all business opportunities in nineteenth-century Java, up to the 1870s. As they rose to become the most prominent merchants in Semarang, they built alliances with other powerful Tan lineages, such as those of Tan Tjauko and Tan Tjeng, to which they were not related by blood. In the Wee Hwee Kiong temple, the centrepoint of the emerging multi-lineage organization, rituals were performed in honour of the deity Tan Seng Ong, who was consecrated as a putative common ancestor. Also known as Tan Goan Kong and Khay Tjiang Sing Ong, Tan Seng Ong was a popular deity in South China whose surname made him an obvious choice for this role (Kwee 2008). God, temple, and surname thus became the symbolic foundations for a commercial and financial alliance.

Before the twentieth century, in the times when state law was generally still weak or unavailable, commercial communities in Southeast Asia relied to a large extent on faith, religion, and the threat of social ostracism to generate trust and creditworthiness. When written evidence in the form of testimonies, notarial letters, or debt notes was lacking, even the Chinese Council (Kong Koan) of Dutch Batavia turned to *mengshen*, the ceremonial swearing a solemn oath before the deities, as a means of establishing the truth of testimonies. Such ceremonies, usually conducted in the Guanyin Ting temple (also known as the Jinde Yuan temple), apparently helped resolve many of the commercial and social disputes recorded in the *Gong'an Bu* (2002–07). A further indication of the importance of ritual and religion to the Kong Koan is that the dates on which the council opened and closed its annual sessions were governed by the lunar calendar and corresponded to those on which the Chinese deities were traditionally believed to depart for, and return from, heaven (Hesseling-Tjan 2003, p. 109).

By the early twentieth century, however, this characteristic symbiosis or synergy of commerce and religion was becoming both less important, and less strong. Chinese merchants were relying increasingly on Indian Chettiar moneylenders, and on Western banks, as suppliers of credit. The latter in particular offered interest rates which traditional credit providers could seldom match. The temple and burial associations, meanwhile, lost an important part of their income as the valuable and often strategically located land occupied by old Chinese cemeteries in growing cities was increasingly taken over by the state (Blussé and Chen 2003; Yeoh 2003). Finally, as state power strengthened in the twentieth century, commercial law became an increasingly viable alternative to social and religious

sanctions as a means of enforcing contracts, including credit contracts. In countries such as Indonesia where the reliability of legal institutions declined once more following independence, Chinese businessmen could still process major financial transactions in nearby Singapore. But if the overt financial functions of Chinese religious and social organizations are now defunct, it is likely that some *towkay* still make considerable use of such organizations for business networking. To what extent these therefore continue to serve commercial purposes, directly or indirectly, remains a question for further research.

Appendix: Chinese Terms Mentioned in the Text

Be Biauw Ong	马淼嗼
Be Biauw Tjoan	马淼泉
Cheng Hoon Teng	青云亭
Cheng San Teng	青山亭
Chichang *kantoor*	炽昌干刀
couhui	凑会
Dapu	大埔
Fengshun	丰顺
fengu hehuo	分股合伙
ganhui	干会
Gong'an Bu	公案簿
Guanyin Ting	观音亭
Guangzhou	广州
guhun yegui	孤魂野鬼
Guoji Ribao	国际日报
Hok Tek Chi Loke Yah Teng	福德祠绿野亭
hong in	封印
hui	会
Huizhou	惠州
Jiayingzhou	嘉应州
Jinde Yuan	金德院
kangchu	港主
Khay Tjiang Sing Ong	开漳圣王
Khoo Kongsi	邱氏公司
koei in	开印
Kong Koan	公馆
kongsi	公司
Kwong Wai Siew Peck San Theng	广惠肇碧山亭

Leong San Tong	龙山堂
lixi	利息
luzhu	炉主
mengshen	盟神
miaochan	庙产
Nanjing Miao	南靖庙
qian huoqian	欠货钱
shihui	湿会
sizhang zhi ren	司账之人
Tan Eng Goan	陈永元
Tan Goan Kong	陈元光
Tan Kongsi	陈氏公司
Tan Seng Ong	陈圣王
Tan Tiang Tjhing	陈长菁
Tan Tock Seng	陈笃生
Tay Kak Sie	大觉寺
Tjie Lam Tjay	指南斋
Tong Koei See	同归所
towkay	头家
Wee Hwee Kiong	威惠宫
Yongding	永定
Zhaoqing	肇庆
Zhongyuan Jie	中元节

Notes

1 *Ronggeng* is a type of female dance entertainment popular in Indonesia.

2 Dick 1993; Kwee 2006, pp. 32–33, 76–96. The term *towkay* is commonly used to refer to Chinese merchants in the Southeast Asian region.

3 In the Chinese sources Southeast Asia, or a region more or less conforming to it, is called "Nanyang", literally the "South Seas".

4 Andaya 1993, pp. 189–90; Heidhues 1992, 2003; Wang 1994, pp. 47–83; Yuan 2000, pp. 19–55.

5 Blussé 1986, pp. 36–38; Mitchiner 1998, pp. 221; Scholten 1953, pp. 31; Whitmore 1983, pp. 365–69, 371–72, 388–89; Yamamura and Kamiki 1983.

6 Andaya 1993, pp. 80–81; Christie 1996; Guillot 1999; *Nederlandsch-Indisch Plakaatboek*, vol. 7, pp. 364–69; Wicks 1992, Chapter 8.

7 Sadka 1968, pp. 333–40; Trocki 1979, pp. 165–70; Wang 1994, pp. 88–94.

8 This can be observed in the Chinese epigraphic materials from Malaysia and Indonesia collected by Franke Wolfgang, Claudine Salmon, and their collaborators. Some examples are discussed in the latter part of the present chapter.

9 Claver 2006, pp. 286–91; Rudner 1994, pp. 53–87; Sadka 1968, pp. 336–40; Schrader 1992, 1994.

[10] The abbreviation *f* refers to the Dutch guilder (originally, 'florin'), which in terms of modern (2007) prices was worth about ten U.S. dollars (although it must be remembered that incomes were much lower in the past than today).

[11] With respect to Tan Eng Goan, my account is based on information provided by Chen Menghong from her forthcoming thesis. I am grateful to her for sharing it with me.

[12] In the early twentieth century, the Kong Koan also had to fund vaccination programmes for the Chinese, particularly for newcomers (*sinkheh*) from China (Hesseling-Tjan 2003, pp. 111–12).

[13] The cemetery books are preserved in the Kong Koan archives, now held by Leiden University. There are 129 books in Chinese, dating from 1811 to 1954, and five books in Dutch and Malay, dating from 1930–1948 (*Gong'an Bu* 2002–07, vol. 2, p. 8).

[14] Tjie Lam Tjay minutes, 1893. The Tjie Lam Tjay outlasted the Batavia Kong Koan and indeed still exists today, although it no longer has its former financial function (Wang 2007).

[15] Tjie Lam Tjay accounts, 1921, pp. 24, 32. A few of the association's account books are still present in the Tay Kak Sie temple in Semarang (see bibliography). In the nineteenth century, the Be family occupied the highest positions in the town's Chinese community (Salmon 1997, pp. 311, 367–76, 382; Liem 1933, pp. 104, 116, 125–27, 132, 161, 179).

[16] Here again, I would like to thank Chen Menghong for sharing information on Tan Eng Goan and the Kong Koan archives.

[17] In the *Gong'an Bu* it is mentioned that Xu Langsheng, the "urn-guardian" (*luzhu*) of the Nanjing Miao temple in Batavia, also had control over some funds. This fact came to the notice of the Kong Koan when Xu refused to hand the money and accounts book over to the new *luzhu* after the end of his one-year term of office (*Gong'an Bu* 2002–07, vol. 1, p. 42).

[18] It is not clear whether these institutions offered monetary loans in the same way as the Tjie Lam Tjay and Kong Koan.

[19] Trocki 1991, pp. 13–16; Wang 1994, p. 2; Yuan 2000, pp. 9–10, 14, 16. In my own interviews with officials of various Henghwa temples in Singapore, I was told that similar meetings were still held in these temples up to the 1970s.

[20] Wolfgang 1982, pp. 432–33. This was confirmed to me by various residents of the old town during a visit to Melaka in July 2007.

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7
A Colonial Debt Crisis: Surabaya in the Late 1890s

Alexander Claver

The final three decades of the nineteenth century witnessed a distinct weakening of international markets, especially for primary products. Expansion in world trade decelerated, and this affected the Indonesian economy. Trade volumes continued to increase, but much less rapidly than in the 1850s and 1860s. It would take until the beginning of the twentieth century before this slowdown was reversed. According to tentative calculations, GDP per capita rose about thirteen per cent over the three decades 1870–1900, whereas it took less than half this time to achieve a growth of twenty-three per cent in the period 1900–13 — and most of the latter growth was actually achieved after 1905 (Booth 1998, p. 6). Other economic aggregates show the same kind of trend: the money supply, for instance, expanded much less quickly between 1885 and 1900 than it had between 1874 and 1885.[1] Of greatest concern to the indigenous population was the poor performance of the foodcrop economy, which failed to keep pace with population growth. Per capita rice production and consumption fell after 1885, although the simultaneous expansion of non-rice foodcrops ensured that there was no mass starvation. Judging by the downward movement of cotton cloth imports in the late 1890s and early 1900s, indigenous purchasing power also declined, if only for a relatively short period of time (Booth 1998, pp. 22, 33, 95, 100–04).

In his eminent two-volume history of the Javasche Bank (Java Bank), published to commemorate the centenary of the bank in 1928, L. de Bree characterized the 1890s, together with the first three years of the following century, as "possibly the most worrisome period in the history of the Netherlands Indies".[2] Looking back on those difficult years, his recollection of the deep and the general sense of malaise pervading the

colony was still vivid. The effects of the slump in export prices had been exacerbated by recurring outbreaks of cattle and crop disease. The indigenous population had become more and more impoverished. The commercial sector, too, had suffered badly from the faltering economy. Exporters, who lacked any capacity to influence the market, had no choice but to accept the dangerously low prices and wait for better times. The situation with respect to imports was even worse. The steadily decreasing purchasing power of the population endangered the operations of both wholesale and retail traders, and occasioned the downfall of many. For over a decade, each year witnessed numerous new bankruptcies (De Bree 1928, vol. 2, pp. 329–34).

At this point in his account, however, De Bree drew a surprising conclusion. While the prevailing economic conditions were undoubtedly difficult, with respect to the import sector it was largely the importers themselves who were to blame for their own predicament. Their ill-advised practice of extending very large quantities of long-term credit to intermediate traders, he argued, had made them needlessly vulnerable in the face of the economic downturn (De Bree 1928, vol. 2, p. 334).

The Surabaya Trading Community

On 29 March 1895, representatives of Surabaya's trading and banking sector assembled to discuss the first signs of a pending financial disaster.[3] The immediate cause of concern was a recent series of (minor) defaults among Chinese retail traders, the financial settlement of which had been a tense business as creditors vied to get their claims honoured to the detriment of others. To prevent this from happening again, a common code of conduct was to be discussed. All the companies active in the import trade and the banking sector in the Surabaya area were represented — in total, thirty-two import firms and eight banks. Although several motions were discussed and eventually adopted, the primary aim of the meeting was not achieved. Those present could not agree on a common code of conduct by which all creditors were to abide. The only visible result was a half-hearted agreement to confer with one another when confronted with a defaulting client. In itself this constituted an advance, but its effectiveness remained to be seen.

On 29 April P.A. Daum, chief editor of the *Bataviaasch Nieuwsblad*, commented in his newspaper on the situation in Surabaya.[4] Four weeks had passed since the meeting, but nothing much had been achieved. On

the contrary, more Chinese traders had defaulted, offering their creditors, as Daum put it, "the choice between nothing or a little". By his estimation the total debt owed by Chinese and Arab defaulters since the beginning of 1895 amounted to approximately *f* 900,000, of which at least *f* 400,000 would be unrecoverable.[5] Wholesale trading firms, for the moment, still enjoyed sufficient credit at the banks; but if the financial sector should decide to withdraw its support, some of them seemed bound to fall. For Daum, as for De Bree three decades later, the European trading sector only had itself to blame.

> Each year we see them again, those astonishing defaults to the tune of one, two, three hundred thousand guilders … and still we see the European traders continue to foist piles of goods on their pigtailed and turbaned clients, on terms of payment which are evidence enough in themselves of the speculative nature of these transactions. Still the trading houses continue to send their staff into the *kamp* [Chinese and Arab residential areas] to play *sobat kras* [bosom friends] to all sorts of Foreign Orientals, finding an outlet within a saturated market by extending the kind of credit which a European firm would be denied.
>
> (*Bataviaasch Nieuwsblad*, 29 April 1895.)

The import trade needed to be placed on a more solid footing, and for that reason Daum applauded the earlier meeting as a first attempt to achieve some sort of cooperation among the importers. But the tone of that meeting, as he poignantly observed, had been set by "spiteful remarks" and "the raking up of past events", the participants showing themselves all too aware "that a European Christian merchant is just as unreliable as a Muslim or pagan one".[6]

The Frustrating Business of Trade

Daum did not ask himself how this peculiar situation had come into existence. He merely asserted that a remedy was possible, if only the wholesale traders would stop quarrelling and work together. But the structure of the trading system, as it had developed over the years, made this difficult. The individual importer had little room for manoeuvre. The trust placed in him by his (mainly Dutch) suppliers demanded rapid, tangible results. Being swamped with goods from Europe for which an

outlet had to be found, while at the same time frantically searching for the required export products, was no sinecure. In addition there were countless other tasks to attend to: organizing the transport of agricultural products from the countryside, arranging customs clearance, administering godowns (warehouses), procuring coolies. Many import traders also had side jobs as managers of shipping agencies or lighter companies, or sat on the board of an insurance firm.

The operations of a trading house required large investments of capital. Export products could only be obtained by advancing working capital to agrarian enterprises, and the extension of credit on a grand scale was frequently also essential in order to clear the shelves of imported goods in time for the arrival of a new shipment from head office. The potential profits, however, were very real, and initially the large capital outlays were considered by everyone in the business to be justified. With the upsurge of private enterprise following the abolition of the Cultivation System in 1870, however, many new trading houses were established, and this soon led to unbridled competition and a saturated market. The overcrowded import sector now had to struggle ever harder to find outlets for its goods, and Chinese retail traders became exceedingly important. Indispensable as go-betweens, they were offered fabulous credit on ever more generous terms.

It would be wrong to say that the Chinese were "entrusted" with this credit by their European trading partners. The faith seemingly exhibited by the Europeans in their Chinese counterparts was inspired by dire necessity, and by the inability of the European wholesale traders to cooperate with each other. The business alliance between wholesalers and retailers was governed by credit, and would remain so until the end of the Dutch colonial presence. Although aware of the logic of this system, contemporary authors seldom failed to express amazement at the scale of the lending, and of the risks involved.

> In no country in the world is the value of credit so clear as in the Netherlands Indies. A Chinese ... who settles his first small repayments on time gradually obtains credit for thousands and thousands of guilders, without owning any capital at all. It is not unusual for a Chinese to manage in one year a turnover of one and a half million guilders in textiles, without making more than one per cent in profit. This kind of trade is unable to withstand exceptional circumstances; … a little dip in turnover, no matter how slight, renders bankruptcy inevitable,

> and a settlement has to be reached with the creditors. At such times several hundreds of thousands of guilders are soon reduced to 40–60 per cent of their original worth.
>
> ("Kali Bezaar" 1862, p. 163.)

Disastrous outcomes of this kind became harsh reality on numerous occasions.[7] Seldom, however, did they inspire a thorough analysis of their causes. Public opinion typically blamed the Chinese retailers for the reckless and/or cunning business practices which were assumed to be characteristic of their race and profession. Individual creditors were often of the same opinion. Commercial law, on the other hand, was considered to favour the Chinese, and it was seldom doubted that the Chinese knew exactly how to take clever advantage of this.[8]

Some dissenting voices were heard, although they had a hard time making themselves heard amid the clamour of Sinophobic sentiments. People such as F. Alting Mees (1884), P.N. Fromberg (1926), and Y.W. Young (1892, 1895), while not oblivious to the fact that crooks and swindlers were to be found among the Indonesian Chinese as among any other people, emphasized the European traders' own responsibility for their problems, and held them partly accountable for the frequency of bankruptcies among their Chinese partners too.

Credit, Competition, and Collective Action

The argument made against the wholesale import traders by these and other critics consisted of three main elements. First, credit was being given too easily and under far too generous terms. Loans should be smaller and more carefully considered in terms of the security available and the borrower's repayment record. The interest rate should be appropriate, not artificially low. The standard loan duration should be cut back to prevent the creditor's capital from being tied down for too long, and prolongation should be made conditional on clearly stated criteria.

Second, the import firms should refrain from flooding their clients with all kinds of goods even if they knew for a fact that this would lead to saturated markets and falling prices. In an effort to clear their shelves, European importers would often pressure Chinese traders into buying more than they asked for, or would expect them to purchase unwanted items from previous shipments in order to receive other kinds of goods which

were in higher demand. When a single trader had more than one supplier, competition played a directly aggravating role here. In an imaginary dialogue published in the editorial column of the Semarang newspaper *De Locomotief* on 11 March 1898, a wholesaler admonishes his Chinese client: "If you buy that much from A, then you have to take at least twice as much with me, for I have older rights; if you convenience B by helping him get rid of his old junk, then you have to help me out too in order to receive new goods …".

Thirdly and most importantly, the fierce competition among the wholesale traders themselves urgently needed to be checked. Instead of poaching on each other's territory for limited, short-term gain, they needed to cooperate in order to bring about the other necessary changes in a coordinated way.[9] Although the need for such cooperation was widely acknowledged in principle, achieving it in practice was a very different matter. Intensely competitive, individualistic behaviour had over time become part and parcel of the wholesale traders' profession, to the point that no mutual trust existed between them. This lack of trust, and its pernicious consequences, are illustrated by what typically happened when European creditors were confronted with a defaulting client. As the word spread that a retail trader had fallen short on his repayments, creditors would rush forward and immediately try to secure their own claims by any means possible — if necessary to the detriment of others to whom the same trader also owed money. Efforts to conclude a secret bilateral settlement (*sluipaccoord*) were common (Alting Mees 1884, p. 37; Fromberg 1926, p. 409). In fact, many wholesale traders found it natural and acceptable that, in the words of one of them as quoted in the newspaper *De Java-Bode* (24 February 1892), "those who are able to cover their losses in time, do so".

Collective action nevertheless remained highly desirable in order to prevent a defaulting client from being officially declared bankrupt, in which case all creditors would stand to lose even more. After all, the assets of a retail trader mainly consisted of the future payments, by instalment, that he in turn had negotiated when selling his products on credit to the indigenous population in the villages. Any significant repayment could only be expected if the retail trader was allowed to stay in business, enabling him to keep collecting from his own debtors. If he was declared bankrupt, the remaining outstanding credit in the countryside would probably be lost. Retrieving even part of it, at any rate, would be a difficult task, since indigenous debtors often played hide and seek when their creditors showed up in the village to collect from them (Multavidi 1906, pp. 342–44). Besides, any

wholesaler attempting to do this would be operating in unknown territory where he might become embroiled in all kinds of local complications, with unpredictable consequences. The time and energy involved in such proceedings were simply not worth the expense.

Partial recovery of outstanding claims could therefore be best negotiated through a collective settlement with the debtor outside the courthouse. Consequently, settlement negotiations were almost routinely initiated, even though serious suspicions might already have been raised concerning the circumstances in which the client had defaulted. Usually, the import trader with the biggest claim compiled a list of creditors and debtors — and if possible, one of assets and liabilities too — and drew up a draft settlement, after which he would call in on the other creditors. The first one to visit would be the party with the second biggest claim, whom he would urge to accept the draft settlement by arguing that it represented for both of them the best chance of retrieving at least part of their money. At the same time he would promise to pay the same courtesy to his esteemed colleague in the future, if ever their positions were reversed. All creditors would have to be consulted in this way, and their explicit consent secured, if formal bankruptcy proceedings were to be avoided (*De Java-Bode*, 28 June 1892).

However skilfully the settlement was drafted and presented, it usually still required stamina and persuasion before all those consulted could be convinced to accept it.[10] One problem was that the financial interests of the various creditors involved often differed widely. The bankruptcy of the Semarang trading firm Lim Khoen Liang & Co. in 1890 is a case in point: here Van Duijm & Co.'s claim of *f* 570 paled before the massive sum of *f* 152,157 owing to Internatio.[11] In such cases those involved most deeply were the most eager to prevent bankruptcy, realizing that thereafter the remaining assets (stock, property) would almost certainly be negligible. This placed the smallest creditors in a powerful position, for if they refused to cooperate, bankruptcy would still be pronounced. The bigger claimants were often coerced into buying the necessary cooperation by allowing the defaulter to pay the smaller claims of competitors in full (*De Java-Bode*, 24 February 1892, 28 June 1892). Nuisances of this kind, and the ever-present possibility that someone would after all try to conclude a *sluipaccoord*, did not alter the fact that for most purposes, settlement agreements remained the only feasible instruments for (partial) debt recovery. They came to be valued so highly that traders would even judge the trustworthiness of their clients by their successful completion of earlier settlements.[12]

The Rise and Fall of Lie Tjong Hwat

The multiple default and settlement history of Lie Tjong Hwat, a Chinese retail trader in Surabaya, illustrates much of what has been described in general terms above.[13] Starting his career as a butcher, Lie Tjong Hwat slowly moved into other branches of trade. His business debts accumulated over the years, until in September 1885 they stood at *f* 95,000. At this point he was forced to offer a settlement of forty per cent, which he promised to pay in twelve consecutive monthly payments. With two guarantors (The Yang Hwat and Tan Ting Gwan) backing the offer, his creditors were persuaded to accept his proposal. It would cost them approximately *f* 57,000, but also ensure the continuation of Lie Tjong Hwat's trading business. In this instance Lie seems to have honoured his commitments fully, completing the agreed settlement towards the end of 1886. Immediately he was awarded new credit, allowing him to continue trading.

In the following years Lie Tjong Hwat quietly went about his business, acquiring still more credit in the process. By the time he had to default on his payments for the second time in February 1893, his total debt amounted to an impressive *f* 247,000. Surprisingly, he offered to pay his creditors in full — a settlement of 100 per cent — in twenty-five monthly instalments, each of four per cent. With such a proposal on the table, it did not take long to reach an agreement. Unfortunately it took only slightly longer to discover that a third settlement was required, because within three months Lie announced that he was unable to keep his promise. This time he offered only thirty per cent of his remaining debt of *f* 242,060 — minus a "reward" of *f* 3,500 for the services rendered by his guarantor Oey Koen You. Almost *f* 167,000 of collected debt was thus irretrievable, but despite this the creditors decided to cut their losses and accept the proposal. In early 1896 this settlement was completed after twenty instalments — and Lie had been able to continue trading throughout.

Although Lie Tjong Hwat's original debts had been largely written off, new credit had been extended in the meantime. Old debts were thus replaced by new ones. On 6 July 1896, Lie declared himself unable to pay his debts for the fourth time. Once again he tried to push for a settlement outside court, but this time his creditors turned out to be less cooperative. Lie first approached his main creditor in an attempt to obtain his help in reaching an agreement. Initially Lie offered him ten per cent more than the other creditors, who would probably get forty or fifty per cent, but this inducement fell on deaf ears. Several new attempts were made the

following day, but they too failed miserably. Even Lie's appearance at his creditor's office in the early afternoon did not produce the desired result. His generous proposal of a *sluipaccoord*, whereby fifty per cent would be paid publicly and fifty per cent in secret, was likewise turned down. Frustrated by these failed attempts, Lie Tjong Hwat left the building declaring that in that case he would simply go *failliet*, bankrupt.

Following his departure, Lie must have weighed his options and decided to change tactics. Whether he asked for a favour, or indeed collected on one, remains unclear, but late the same afternoon a European trader speaking on Lie's behalf paid his principal creditor a visit. The next morning the same "friend" turned up again in a final attempt to smooth things out, but his efforts proved to be in vain. That same day, 8 July 1896, Lie Tjong Hwat filed for bankruptcy at the Council of Justice in Surabaya. According to his own specification, his total debt approached *f* 180,000. However, during his negotiations with the creditor the previous day, he had handed over a different list adding up to the significantly smaller sum of *f* 131,803. The difference of about *f* 50,000 was attributed in the new list entirely to Chinese creditors, whose statements were distrusted and considered more difficult to verify. A share in the *kongsi* Sie Tjong Hwat was valued at *f* 7,000, whereas some said it was worth *f* 20,000. Worse, Lie Tjong Hwat could not produce yearly accounts. All this fed the suspicion that he had deliberately exaggerated his liabilities and understated his assets in order to repay as little as possible of the credit extended to him.

This case became front-page news on Saturday 18 July 1896, when the *Soerabaiasch Handelsblad* newspaper published an editorial placing the affair within the wider context of Chinese business practices. Chief editor H.G. Bartelds asked whether there was any good faith left amongst the Chinese, and claimed that default was increasingly considered an acceptable means of self-enrichment.

> The Chinese trader goes bust for no other reason than to get rich the easy way. The shame is gone and the illegally obtained goods remain; choosing between the two is no longer difficult …. The Chinese even prides himself on defaulting: he who goes bankrupt most often is considered the cleverest operator.

In themselves, such remarks seemed just another routine exercise in blaming the Chinese for all problems in local business life. In the second half of the leader, however, Bartelds turned his attention to the European

import traders and their custom of maintaining credit facilities even when payments had just been suspended and settlements were still to be negotiated. "People expect", he wrote, that the rescued defaulter "will remain good for a couple of years, and trust that new deliveries will make up for the damage caused by the default" (*Soerabaiasch Handelsblad*, 18 July 1896). While this strategy might work on occasion, to apply it as a matter of course was foolish. If importers did not recognize this, then Chinese retailers would be the sole beneficiaries of their labours and investments. Besides greater prudence on the part of the wholesalers and importers, Bartelds also recommended a complementary legal remedy: a change in the commercial law of 1855 to prevent Foreign Orientals from filing for bankruptcy themselves, and to broaden the possibilities for imprisoning defaulters.

Interlude: Half-Hearted Measures

The crisis meeting of wholesalers and bankers in Surabaya in March 1895, as noted, had not produced full agreement on a common code of conduct. Nonetheless, fear of a pending financial disaster was slowly creating a more cooperative spirit. The following year, the Surabaya import houses jointly agreed to have a qualified interpreter of the Chinese language investigate the books of Chinese traders whenever this appeared necessary. The local agent of the Javasche Bank was asked to act as the representative of the participating firms whenever the interpreter's service was required, and since this would be of clear benefit to all, the management in Batavia readily gave its approval.[14]

This was not the first time that such a strategy had been tried in Surabaya. In 1881, P. Meeter, the government interpreter of Chinese in the city from 1876 to 1888, had been given the same investigative function in disputes concerning default.[15] Meeter himself later claimed to have had great success, reducing European losses from fraudulent bankruptcy to nil. His contract, however, was not renewed after 1882, and a later investigation showed that European importers in Surabaya had still reported losses of *f* 1,025,000 from Chinese bankruptcies over the two-year period of Meeter's activities. This was apparently a slight improvement on earlier years, but fell far short of demonstrating that the examination of Chinese account books was the key to minimizing credit risk (*De Java-Bode*, 16 June 1892, 26 July 1892; Meeter 1881, pp. 11, 20–24, 47, 50–51).

Fifteen years later, Surabaya's import houses were nevertheless ready to try the same tactic again. Meeter's unidentified "successor" was appointed in September 1896, and his services were soon in demand. Within a month, the Surabaya agent of the Nederlandsche Handel Maatschappij (NHM) reported extensively on a potential new wave of bankruptcies among Chinese traders in Surabaya.[16] This finally also elicited a more concrete coordinated response from the European trading sector. Rather than addressing the endogenous problems described above, however, their response consisted in launching a concerted attack on the government for its policy of intensifying the travel restrictions limiting Foreign Orientals in their freedom of movement outside the cities. This was said to be preventing Chinese traders from collecting their own debts from villagers, and consequently reducing their ability to repay their European creditors (Fromberg 1926, pp. 427, 487; Liem Twan Djie 1947, p. 34). The Chinese themselves, for once, were being let off the hook here; but at the same time the European business community was continuing to deny its own responsibilities. In the long run the importers' campaign seems to have paid off, contributing to the relaxation of the Chinese travel pass regulations in 1904. By that time, however, the pass controversy had long been overshadowed by more dramatic developments.

The Arrest of Oen Tik Kang

Towards the end of 1896, the arrest of heavily indebted Surabaya trader Oen Tik Kang, on suspicion of opium smuggling, became the trigger for a wave of bankruptcies with implications for business life throughought the Netherlands Indies.[17] In accordance with their recent, tentative understanding, all the Surabaya importers gathered together as soon as the bankruptcy became known to assess the situation. It was soon established that Oen Tik Kang owed *f* 306,000, and possessed assets worth only *f* 110,000. Although serious in itself, this was not beyond previous experience and creditors did not express special concern about the size of the debt, which they expected could in principle be restructured to everyone's satisfaction. Negotiating a settlement, however, would take time, and meanwhile there was a danger that Oen Tik Kang's default would have a domino effect on the solvency of other traders. To avert this, prompt action was of the utmost importance.

Oen Tik Kang occupied a central position in Surabaya business life because of his dealings with a certain Tjioe Toan Lok.[18] Heir to a great fortune, Tjioe was considered immensely wealthy. His trading activities consisted mostly of importing ironware and petroleum, for which he used his own finance. But being a true entrepreneur, he had also ventured into plantations, buying up coffee lands as early as 1890. In addition he lent money to other Chinese, and this moneylending may in fact have been his most important source of income. Tjioe Toan Lok's financial position was assumed to be healthy enough, but this assumption proved mistaken; Oen Tik Kang's bankruptcy immediately brought Tjioe down, too. Soon it became known that Tjioe's liabilities amounted to *f* 1,000,000, and his assets to no more than *f* 350,000 — not including *f* 85,000 in debts which were owed to him, but probably impossible to recover.

By now, Surabaya's Chinese trading community was seriously undermined. As a direct result of the problems experienced by Oen Tik Kang and Tjioe Toan Lok, another five Chinese traders were in danger of going under, and if they did they might take with them an additional twenty Chinese and two Europeans. The combined debt of these twenty-nine entrepreneurs was calculated at *f* 2,488,000, only thirty-eight per cent of which was covered by assets. These figures were alarming, and the creditors knew they were facing disastrous losses. Despite lengthy deliberations, they failed to find a way of settling Tjioe's arrears other than by filing for his bankruptcy. This signalled the abortive end of the incipient cooperation between importers. In the event, twenty-three Chinese and one European trader went bankrupt. Their combined debt amounted to *f* 2,316,248, of which seventy-two per cent was accounted for by Oen Tik Kang and Tjioe Toan Lok between them.[19] According to the *Soerabaiasch Handelsblad* (1 May 1897), the financial loss incurred in 1896 by the European import traders was a devastating *f* 1,140,000. In other words, close to fifty per cent of the total amount of credit outstanding (*f* 2,316,248) had to be written off. The Surabaya trading houses had paid dearly for their failure to cooperate.

The hard lessons of 1896 did at last produce some change, at least, for a few years, in the credit practices of the wholesale companies. In its annual report for 1898, the Handelsvereeniging Soerabaia (Surabaya Commercial Association) wrote:

> In general the financial result over 1898 has not been unfavourable for importers, who conducted their business on a sound basis and did not

> overestimate their clients in the matter of credit. … The attempts of the wholesale trade to be more careful with loans, after the losses suffered through the countless defaults of the last few years, have apparently had a beneficial effect. (*Verslag Handelsvereeniging Soerabaia*, 1898, p. 1.)

The available quantitative data appear to confirm that the European import sector benefited considerably from its new caution with respect to credit provision. Total losses due to bankruptcy fell considerably after 1896, amounting to *f* 679,196 in 1897, *f* 306,521 in 1898, and *f* 168,003 in 1899. The corresponding figure for 1900 was also said to be modest. In 1901 and 1902, however, the trend was suddenly reversed, with reported losses totalling *f* 1,144,923 and *f* 1,717,070 respectively (Handelsvereeniging Soerabaia 1899–1903; Fromberg 1926, p. 320). Poor harvests in those two years, resulting in a general subsistence crisis and reduced demand for imports, were no doubt partly to blame (Boomgaard 2002). But it is also likely that the beneficial effects of the shock of 1896 were beginning to wear off. The general curtailment of credit in the wake of the crisis had resulted from individual decisions, not from concerted action in this area, which was no longer even discussed after the failure to reach a collective settlement of Tjioe Toan Lok's debts.[20] Unbridled competition, consequently, continued to impel wholesalers to extend progressively more credit, according to the same pernicious logic as before.

Conclusion

This chapter has described the problematic situation of the Surabaya trading business following the arrest of a Chinese retail trader towards the end of 1896. As a result of this arrest, other traders were forced to default on their credit repayments, leading to a wave of business failures. Much credit proved to be irretrievable, and had to be written off to the detriment of the wholesale traders who had supplied it. Commercial relations between European (mainly Dutch) wholesalers and Chinese retailers came under strain as the shaky foundations on which they rested were revealed.

The European trading sector was badly equipped to weather any upcoming storm of defaulting (Chinese) clients. No effective mechanism of risk reduction was available to European wholesale traders, largely because of their number and the extreme competition between them. Even the biggest trading houses were apparently in no position to dictate

the conditions under which the market should operate, and fending off external shocks proved extremely difficult. At no point did wholesale traders find it possible to collaborate for a sufficiently long period of time. Acknowledgement of the unhealthy trading situation, and recognition of the many benefits to be gained from working together, were forthcoming only after a crisis forced matters to a head. Even then, the complexity of existing trading arrangements prevented an overhaul of the prevailing system, in which credit played a pivotal role.

The conditions under which credit was extended and repaid were governed by two constraints that effectively allowed those participating in trade little room for manoeuvre. The first was the pattern of business cycles which had begun to make itself felt in Indonesia as early as the 1840s (Boomgaard 2002, p. 49). Economic cycles, credit, and bankruptcies were closely interlinked. The second constraint was the difficulty experienced by a large number of mutually competitive creditors in coordinating a collective reduction in the amount of credit extended, so as to ensure that none among them ended up with a reduced share of the market. It is largely this second factor that explains why in colonial Surabaya, overextension of long-term credit by wholesalers to intermediate traders continued despite the known risks involved.

Notes

[1] Booth (1998), p. 6. See also: ibid., pp. 34, 85–86; Creutzberg (1975), pp. 20–22; Van der Eng (2002), pp. 15–16; Korthals Altes (1991), pp. 14–19, 46–56, 66–75; Korthals Altes (1994), pp. 15, 159–66; Dick et al. (2002), pp. 100–101, 123–24.

[2] De Bree (1928), vol. 2, p. 329. The Javasche Bank was founded in January 1828 as a private bank, but soon acquired all the traits of a circulation bank, acting as the colonial government's main instrument for the implementation of monetary policy. However, its charter also allowed it to operate as a commercial bank providing much-needed credit to the trading sector. This commercial function helped it to become one of the largest and most profitable banks in the Netherlands Indies.

[3] Archive of Bank Indonesia/De Javasche Bank, Jakarta, BI/DJB 67, no. 13, pp. 98–108; *De Indische Mercuur*, 4 May 1895.

[4] *Bataviaasch Nieuwsblad*, 29 April 1895. See also BI/DJB 67, no. 8, p. 43.

[5] The guilder — abbreviated *f* — was the standard currency of the Netherlands Indies. One guilder was equivalent at this period to roughly 0.4 comtemporary U.S. dollars, giving it an approximate value in current (2007) prices of about ten U.S. dollars.

[6] *Bataviaasch Nieuwsblad*, 29 April 1895. The directors of the *Javasche Bank* were equally unimpressed. In their view, the meeting would have done better to

agree on preventive measures in the form of a general reduction of the amount of credit extended, in combination with a curtailment of the running period of each loan (BI/DJB 67, no. 13, p. 95).

[7] For earlier examples of Chinese bankruptcies in Surabaya, see Von Faber (1931), pp. 161–62. Alting Mees (1884) gives a detailed account, and a useful analysis, of a similar wave of bankruptcies which took place amongst Chinese textile traders in Batavia during the first half of the 1860s.

[8] Since 1855, Vreemde Oosterlingen (Foreign Orientals) had been subject to European commercial law. In some ways this benefited European traders in disputes with Chinese and Arabs, but it also afforded the Foreign Orientals greater protection against judicial abuses than was available to indigenous Indonesians. See Rush (1990), pp. 242–43; Williams (1960), pp. 26–27; Liem (1947), p. 33; Fromberg (1926), pp. 423–24, 620.

[9] Liem Twan Djie (1947), pp. 34–37; Alting Mees (1884); Fromberg (1926); Meeter (1881), p. 2; Young (1894, 1895); Huizinga (1975), p. 145.

[10] In many instances, the creditor who managed to engineer a successful deal was tacitly rewarded with an extra percentage (*De Java-Bode*, 28 June 1892).

[11] NA (Nationaal Archief, The Hague), archive of the Nederlandsche Handel Maatschappij, NHM 8018, no. 1090.

[12] The following anecdote is a telling example of this paradoxical line of reasoning. Having being warned that a client would soon most likely have to default, one Surabaya trading firm employee reassured his employer that there was "no need to worry about this Chinese; on the contrary he is very solid, because … he has already settled twice!" (Meeter 1881, p. 35).

[13] The following account is based on newspaper articles in the local *Soerabaiasch Handelsblad* (15 July 1896, 16 July 1896, 18 July 1896).

[14] BI/DJB 69, no. 49, p. 259.

[15] Interestingly, Meeter later wrote that Chinese creditors were more suspicious than Europeans of settlement proposals: "When one of their countrymen defaults, offering his (exclusively Chinese) creditors a settlement, they will not accept it without first investigating his books." If fraud was detected, according to Meeter, the settlement offer was promptly refused (*De Java Bode*, 28 June 1892).

[16] NA NHM 8018, no. 1090.

[17] Oen Tik Kang — or Oen Tik Siang, as he was also known — was ultimately sentenced to six months' detention, but not on the grounds of violating the opium law; at the end of his trial he was found guilty of fraudulent bookkeeping, in the form of an excessive personal expense account (Borel 1900, p. 114).

[18] BI/DJB 1358.

[19] NA NHM 8018, no. 1090.

[20] One alternative which was briefly discussed, although it received a rather lukewarm response, was insurance. In May 1897, the directors of the Javasche Bank were informed by their agent in Makassar that the traders Waedle Frane & Co. had insured themselves in England against bad debts. Paying a yearly premium of £ 150, they were covered for fifty per cent of any losses sustained in this way, up to a maximum of £ 10,000. The directors remarked that it was

doubtful whether this new type of insurance would become popular in the Netherlands Indies; and no further reference was made to the subject (BI/DJB 70, no. 17, p. 50).

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8

Credit and the Colonial State: The Reform of Capital Markets on Java, 1900–30

Jan Luiten van Zanden

Economists agree that capital markets are of fundamental importance to economic development, and most would agree that interest rates of capital markets are a good index of their efficiency — and, given the specific nature of this market, also of the degree of trust in the economy at large. Capital markets are, therefore, a proxy for the efficiency of the institutional framework of an economy and, as is for example argued in the classic paper by North and Weingast (1989) on the Glorious Revolution of 1688 in Britain, radical changes in their performance are a precondition for the acceleration of economic growth.

In a similar way it can be argued that Southeast Asia, Java in particular, seems to be caught in a trap characterized by thin, fragmented capital markets, with high interest rates and (possibly) extensive monopoly power over rural capital markets. Consequently, this is one of the typical features of the underdevelopment of the region. Both examples show that these structures are characterized by strong path-dependencies. Clark (1988) has argued convincingly that in parts of Western Europe, the change in direction towards a regime of low interest rates and a well-developed capital market actually occurred during the late Middle Ages, between about 1350 and 1450 — that is, long before the Glorious Revolution identified by North and Weingast (1989) as the crucial event. Thereafter, Western Europe simply continued on the same path. Interest rates in Java, by contrast, were quite high during the seventeenth, eighteenth, and nineteenth centuries, and rose again in the period after the Second World War (Boomgaard 1986*a*, 1996). This chapter addresses the question of what happened in the first

half of the twentieth century, in particular as an outcome of the reforms in rural (and urban) capital markets implemented under the Ethical Policy in the early 1900s. How successful was Dutch colonial policy in reforming capital markets and facilitating access to capital for Javanese farmers? Did the reforms result in a structural improvement in capital markets, and in a change of course towards low interest rates and easy access to capital for rural inhabitants?

The switch towards a more efficient capital market-regime which occurred in Europe between 1350 and 1450 can be interpreted as the consequence of two radical changes. The first of these was a sudden population decline caused by the depredations of the Black Death, which led to a radical improvement in the ratio between capital and land on the one hand, and labour/population on the other. This *quantitative* shift in the relationship between capital and labour resulted in a long-term decline in interest rates — the prices of the commodity which grew less scarce — and a strong rise in real wages. The second reason was that at the same time, *qualitative* changes in the capital market must have occurred, since the rise in population numbers between 1450 and 1600 did not (except perhaps in the more peripheral southeastern parts of Europe) result in a return to the old regime of high interest rates (Van Zanden 2008). The qualitative changes apparently generated a structural increase in savings, which stabilized the new development path. These developments are not yet understood in detail; although Zuijderduijn (2007) provides some pointers in the Dutch context, in general we can only speculate on exactly what happened during the late Middle Ages. Following De Soto (2000), it can be suggested that the changes in question were the long-term consequence of improvements in underlying institutions, in particular those guaranteeing property rights. By analogy, we can ask the following questions concerning capital markets in Java in the period 1900–40. Which quantitative and qualitative changes can be identified in those markets? How did the changes affect their efficiency? What does this tell us about the wider institutional framework of the economy?

The context is the change in economic and social policies which occurred around the turn of the twentieth century. What was known as the "Ethical Policy" was officially introduced in 1901. Its purpose was to improve the welfare and economic opportunities of the Indonesian population. This was a radical change from the official policy which had prevailed throughout much of the nineteenth century, when the colony was considered to be a *wingewest* — a source of profit — for the "motherland". Although

in practice the shift towards a more developmental attitude had begun as early as the 1860s, and some important initiatives were already taken (long) before 1901, the official announcement of the new policy in 1901 was still a major step forward (Boomgaard 1986*b*). All things considered, there were reasons to have rather high expectations of the effects of the Dutch "ethical" policies on the capital market.

Colonial officials had already identified the problem of malfunctioning rural capital markets in the nineteenth century, although they had a rather one-sided interpretation of its cause. They tended to see it as the result of exploitation of the peasants by Chinese middlemen, who controlled the supply of rural credit and monopolized rural markets. Having identified what they saw as the cause of the problem, they developed an innovative package of measures, including both "traditional" and "new" forms of credit supply and intermediation, which seemed to be relatively well adapted to local circumstances and societal structures. Another pointer towards success was that these new policies were implemented by a Weberian-style bureaucracy, by well-trained administrators who were not (apart from a few exceptions) corrupt, and whose sense of the "white man's burden" sometimes made them as devoted to their tasks as are modern development workers (Van den Doel 1994). Improving the socio-economic situation of the Javanese peasantry was perhaps the main goal of the Ethical Policy, and reform in rural capital markets was widely considered to be the spearhead of the campaign to achieve it. Consequently the colonial government was willing to invest substantial resources (administrators and money) in finding a solution to the problem. So some of the preconditions for success were clearly met.

Reforming the Credit System: Raiffeisen in Java

The first reforms of the credit system, introduced in the late 1890s, were largely inspired by similar initiatives already taken in western Europe to resolve market failures in the countryside. The most important source of inspiration was Friedrich Wilhelm Raiffeisen (1818–88), who developed the concept of the cooperative bank in the 1850s. Put simply, this kind of bank collected the savings of rural people with the aim of using them to provide credit to farmers. This would free the farmers from their dependency on external sources of credit. Raiffeisen laid a heavy emphasis on the idealistic character of the cooperative bank: its founding and administration

were to be acts of Christian charity for which no recompense should be expected. According to this same principle, profits could not be distributed among the members, but were to be deposited in a central fund and used to support farm credit. It was also essential to create reserves to cover, as far as possible, the unlimited liability of the members of the cooperative. Partly as a result of Raiffeisen's initiatives, the first cooperative banks were established in Germany in the 1860s. In the 1890s the movement spread to the Netherlands, where it became a big success, particularly after the establishment of central cooperative banks in 1898 (Sluyterman et al. 1998).

It was natural that Dutch colonial administrators who wanted to reform rural capital markets in Indonesia should copy this model. The problems were similar. One of the key difficulties was that outsiders — for example, moneylenders from the city — had no means to assess the creditworthiness of farmers, because they lacked the information necessary to estimate the quality of their entrepreneurship and assets. Faced with this lack of information, if no collateral in the form of land was available, outsiders would not lend money to farmers — or would only do so at very high interest rates to cover the risks involved. The Raiffeisen model was based on the idea that this kind of information was freely available within the village community: all farmers and many non-farmers (shopkeepers, for example, or the local priest, notary, and schoolmaster) were perfectly well aware of who was to be trusted and who was not, or who would use new credit carefully and who would squander it. By setting up a cooperative — ideally, a democratic association of farmers "guided" by a few members of the rural elite (the priest, the schoolmaster) — such "inside knowledge" could be used to direct credit policy. In order to create trust, as a rule the cooperatives worked on a principle of unlimited member liability. This meant that the wealth of the local landowner and notary who joined the cooperative boosted its solvency, and that such members of the local elite had a strong incentive to monitor its activities, for example by becoming members of its governing board.

The pioneer of this model on Java was the civil servant W.P.D. de Wolff van Westerrode, who tried to put it into practice in the district in which he was stationed, Purwokerto, after a visit to Europe where he came in contact with the ideas of Raiffeisen, in 1897. Some aspects of the model appeared to be ideally suited to Javanese conditions. It appealed to non-economic motives, and many civil servants strongly believed that the behaviour of the Javanese peasant could not be explained by economic

motives alone. In particular, it appealed to a spirit of cooperation among the peasantry — and again, civil servants saw this as being a characteristic of Javanese society (Henley 2007). In a few parts of the island, rudimentary cooperative institutions already existed. Among them were *priyayi* banks, which catered to the needs of the indigenous elite (the *priyayi*), and *lumbung*, village rice barns, to which wealthy peasants brought their surplus rice and from which poor peasants could borrow rice during the planting season or during the period just before the harvest when rice was scarce, the *paceklik*. Both *priyayi* banks and *lumbung* were heavily dependent on the protection of Dutch civil servants (at least, that is the picture which emerges from the literature written by Dutch civil servants themselves) and most led a precarious existence if this support was unavailable (Cramer 1929, pp. 17–25).

The new inspiration offered by the Raiffeisen model meant that this support was considerably strengthened after 1896, particularly in 1901 when the Ethical Policy was implemented. De Wolff tried to breathe new life into the two types of cooperative institutions which already existed. He formalized the structure of a *priyayi* bank by setting up the Poerwokertosche Hulp-, Spaar- en Landbouwcredietbank. By pushing hard, and thanks to the support of increasing numbers of other civil servants who shared his concerns, he caused the number of *volksbanken* (popular banks, as the banks modelled on the Poerwokertosche were named) and *lumbung* to increase rapidly in the years after 1901. In between these two models (the simple *lumbung* administered by the village elite, and the formal *volksbanken* governed by Dutch civil servants) a third model developed, that of the *dessabank* (village bank), often growing out of the *lumbung* by accepting savings and supplying small amounts of credit in cash instead of rice. Hence a threefold structure of credit institutions took form, with the *volksbanken* catering to the upper echelons of Javanese society while the *lumbung* and the *dessabanks* supplied the credit needs of the peasantry.

One striking fact is that not much remained of the cooperative ideals which were the impulse behind the first new initiatives. Most banks, big or small, were tightly monitored by Dutch civil servants. The surplus rice for the *lumbung*, for example, was often acquired by coercion: by appropriating the proceeds of local (religious) taxes, or simply by ordering peasants to store part of their harvest in these communal barns, which were controlled by the village head (Cramer 1929, pp. 20, 25–26). The problem of corruption in the management of the *lumbung* was never really solved, and complaints about malpractices continued to resurface. It is therefore

not surprising that they were distrusted by many peasants, who did not feel genuinely inspired to volunteer contributions to this "good cause".

Similar problems arose at the other end of the spectrum. Well-intentioned attempts to turn the first *volksbanken* into real cooperative associations, with vigorous memberships meeting regularly to discuss strategic issues and elect a governing board, ended in failure. Members of the local elite preferred not to be subjected to such unfamiliar procedures, and often refused to become members, or joined only temporarily in order to secure loans; in practice, Dutch civil servants dominated the *volksbanken*, and administrating these banks became an integral part of their work (Cramer 1929, pp. 22, 42).

Another problem concerned savings. The Raiffeisen model was based on the idea that at least some relatively wealthy farmers would save voluntarily, and that members of the rural elite would contribute their savings to the bank. But this assumption had already posed a big problem during the first decades of the cooperative movement in Europe, which only took off in a big way during the 1890s and 1900s, when prices of agricultural products, after having being at low ebb during the agricultural depression of the 1870s and 1880s, rose again and rural prosperity increased. Javanese peasants were much poorer than Dutch or German farmers, a factor which in itself already explains a large part of the difference in savings behaviour; and they may also have had less trust in the new associations (which never became "their own"). As noted, most of the savings in rice which formed the basis for the *lumbung* were quasi-voluntary at best. The *volksbanken*, for their part, received most of their deposits from Europeans, and from the government; only a small fraction came from the Javanese population.

The result was that the popular credit system became part of the government welfare services, whereas in western Europe, savings and credit cooperatives were and continued to be part of the private sector, keeping the state at arm's length. The centralization and bureaucratization of the system happened rapidly, beginning in 1906 and concluding in 1912 with the formal creation of a *Dienst van het Volkscredietwezen* (Popular Credit Service) to supervise the *volksbanken*, village banks, and *lumbung*.

Reforming the Credit System: The Pawnshops

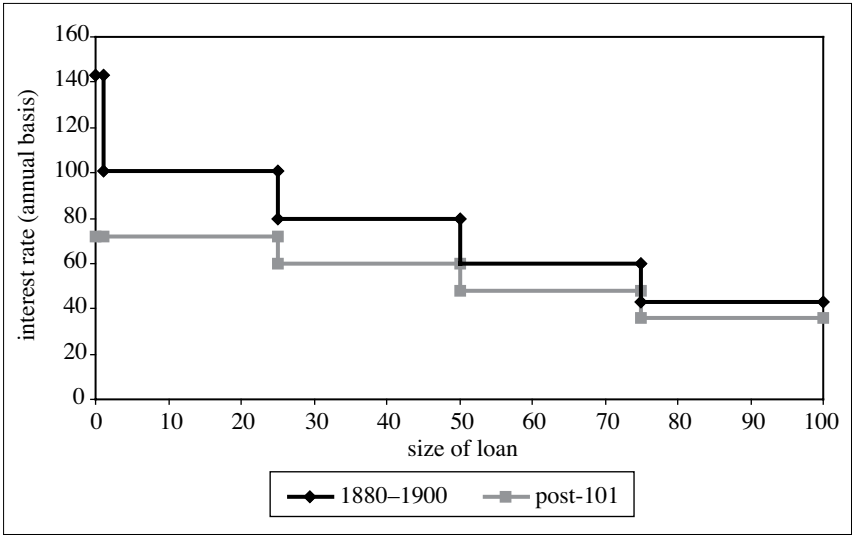
A second, perhaps equally important, part of the reforms implemented in the early 1900s was the replacement of the leasing system for pawnshops by a government monopoly. As early as the 1860s a debate had begun

over whether or not the pawnshops leased to Chinese residents by the colonial government were being used to exploit the Javanese peasantry by demanding extravagant interest rates on the credit supplied. At that time it was argued that lack of competition, the result of the government monopoly, was what made it possible to keep interest rates high. If this interpretation was correct, then the abolition of the monopoly should bring interest rates down, argued liberal politicians and colonial experts. This reasoning, and the detailed report on the excesses of the pawnshop system by De Waal (1865), contributed to its abolition in 1870.

It was replaced by a system in which any citizen, for the fairly high sum of fifty guilders, could buy a licence to run a pawnshop.[1] The number of pawnshops now increased sharply, from about 250 in 1869 to 998 in 1879. But interest rates, instead of coming down, rose to ten per cent per month or more following the interest rate liberalization which was also included in the reforms of 1870. Up to then a maximum permissible rate had been set by the government, although in practice this regulation was often ignored (Diehl 1993, p. 224; Fernando and Bulbeck 1992).

In 1880, the licence system was abolished. Abuses had multiplied, and government revenues fallen. Instead the old system, involving the leasing

Figure 8.1 Pawnshop Interest Rates (Per Cent) By Size of Loan (Guilders), Java, 1880–1900 and 1901–1920



Sources: Koloniaal Verslag 1880, p. 139; Van Laanen 1980, p. 42

on a territorial basis of the local monopoly right to operate a pawnshop, was reintroduced, but now with a new set of ancillary rules geared more closely to "the market", which the colonial administrators had had the opportunity to observe over the previous ten years. Interest rates on loans were more varied than they had been before 1870, and on small loans they increased substantially (to 2.5 per cent over ten days, or 143 per cent on an annual basis). Only the rate on the largest loans (between 75 and 100 guilders) returned to the level of three per cent per month which had been the norm before 1870. Figure 8.1 shows the new scheme as introduced in 1880.

The failed experiment to liberalize the pawnshops suggests that it was not just misdirected government policy which was to blame for the high interest rates on these loans, and more generally for the poor state of the rural capital market. The underlying problem which was not addressed was that asymmetries in information, and other institutional constraints (about which more below), impeded the development of the market. In the nineteenth century, Java was arguably a classic example of how poorly specified and protected property rights can restrict the development of a market economy (Van Zanden 2004). Consequently (capital) markets were extremely thin and fragmented, and could easily be controlled by a limited group of moneylenders, Chinese merchants in particular, who formed tight-knit networks which facilitated collusion.

Government regulations limiting the access of Chinese and other "foreign orientals" to rural areas widened the gap in interest rates between city and countryside, boosting the moneylending profits of those Chinese, such as the owners of monopoly pawnshop leases, who did have rural access. The sums the pawnshop keepers were prepared to pay for their leases are an indication of the fragmentation of the capital market, and of the constant demand for this kind of credit. These sums were substantial, rising from about *f* 70,000 in the mid-1820s to *f* 129,000 in 1835, *f* 422,000 in 1862, and *f* 1,271,000 in 1899.[2]

In the 1890s, criticism of the system mounted once again. In 1900 the government decided to review it, and de Wolff van Westerrode was asked to direct the investigation. The recommendation which followed from his report was to abolish private pawnshops, and introduce a government monopoly. This was implemented very swiftly; by 1904, all pawnshops in Java (except Surakarta) and Madura had already become part of the government service. At the same time, interest rates were lowered substantially. Figure 8.1 illustrates the magnitude of the change in interest

rates, which for the smallest loans declined from 143 per cent annually before 1901 to 72 per cent after that date. In 1920 they were lowered again to 48 per cent for the smallest loans, which usually predominated in the pawnbroking business. It took a certain amount of time for the government monopoly to become established; between 1901 and 1910, total lending under the government monopoly was probably less than the sums handled by the private pawnshops before 1900.[3] Nevertheless, in the long run these reforms resulted in a strong expansion of the amount of credit supplied by the pawnshops.

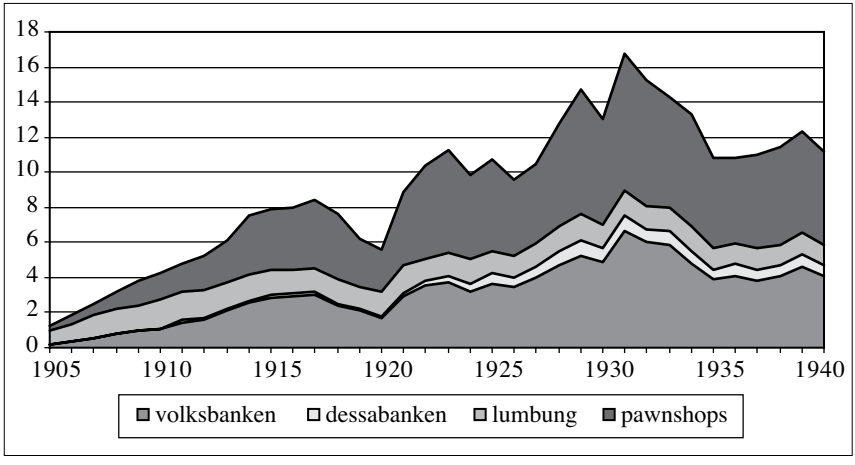
Impact: Evolution of Lending and Interest Rates

What was the impact of these reforms on Javanese peasants' access to credit? In order to answer this question, we must compare the amount of credit supplied by the four institutions discussed above (on the basis, where possible, of data on loans outstanding at the end of the year, in order to eliminate double counting) with the value added in the agricultural sector — excluding export crops, which were produced mainly by Western plantations (although there were of course many exceptions to this rule). The reason for choosing this kind of comparison is that prices fluctuated enormously between 1905 and 1940: strong inflation during the 1910s was followed by deflation during the 1920s and first half of the 1930s. Value added in food production by smallholders is the most relevant specific comparator because the policy of capital market reform was in principle aimed largely at facilitating access to credit for the peasantry.

It would, admittedly, be wrong to assume that only peasants profited from the expansion of government-sponsored credit. In fact, more than half (in a few years, almost seventy per cent) of the credit supplied by the *volksbanken* did not find its way to "villagers", and perhaps half of all the loans made by pawnshops were taken by shopkeepers, craftsmen, and other small businessmen (Van Laanen 1980, Table 6). Nevertheless a comparison with total GDP would surely be even further from the mark, since this includes the large Western sector of the economy, which had other sources of credit such as the colonial banks. Between 1910 and 1940, the colonial banks supplied at least four times more credit than the institutions discussed in this chapter.

Figure 8.2 shows that between 1905 and about 1930, the general trend of credit provision was one of strong expansion (although it should be borne in mind that shortly before 1905, as noted, there had been some

Figure 8.2 Credit Supplied by Popular Credit Service Institutions as Percentage of Value Added in Agriculture (Excluding Export Agriculture), Java, 1905–1940



Sources:
Credit supply: Van Laanen 1980, Tables 6 and 7. (For a few years, estimates had to be made by intrapolation, and the value of the credit supplied by the *lumbung* had to be estimated using rice prices as a conversion factor.)
Value added in agriculture: Van der Eng 1996, and additional estimates by the present author (Van Zanden 2002).

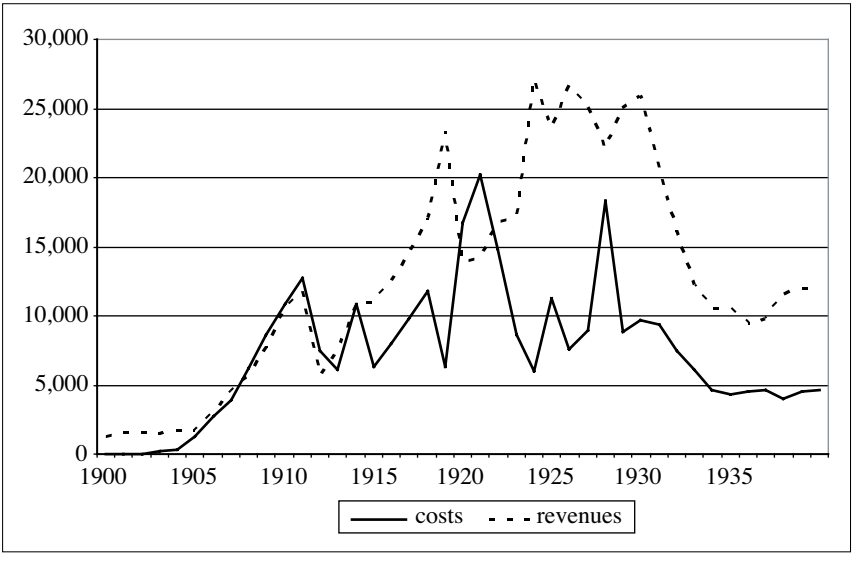
contraction of pawnshop credit). The temporary decline in the ratio between credit and value added in the second half of the 1910s was probably not linked to a diminishing supply of credit, but rather to declining demand: prices were very high in those years, which made it possible to pay back loans and borrow less, while the size of value added in agriculture exploded in the wake of inflation. After 1921, when times grew more difficult, the credit supply continued to grow until 1929, albeit at a fairly low level in nominal terms.

The expansion was almost completely dominated by the reformed pawnshops and the *volksbanken*, both catering partly or mostly to the needs of the Javanese and non-Javanese middle classes. The institutions most clearly linked to small-scale agriculture, the *lumbung* and the *dessabanks*, were much less successful. Their combined loans increased from about 1.7 per cent of value added in agriculture in 1910, to a peak of 2.3 per cent in 1929. This indicates how difficult it was to reach to the "lowest" strata of rural society, and to create institutions which were trusted by, and accessible to, the peasantry. Nevertheless, peasants must

have profited from the reform of the pawnshops (which were often used by them), and to a lesser extent also from the more elastic supply of capital, on rural as well as urban markets, which resulted from the rise of the *volksbanken*. If for argument's sake it is assumed that fifty per cent of the loans of *volksbanken* and pawnshops reached the peasantry, then the credit/value added ratio rose from three per cent in 1910 to 8.5 per cent in 1929 — a not insignificant change. The ratio between the credit supplied by the large colonial banks and the value added in the rest of the economy, however, was much higher, fluctuating around twenty per cent before 1914 and around thirty per cent in the 1920s, before declining to twenty-five per cent in the 1930s (Van Laanen 1980, Table 5; Van Zanden 2002).

Another measure by which to assess the success of the reforms is to examine what happened to interest rates. This is easiest in the case of the pawnshops: as already mentioned, their rates declined sharply from 143 per cent for the smallest loans under the pre-1901 regime (as set by the government), to seventy-two per cent in 1901 (following the introduction of the monopoly), and finally forty-eight per cent in 1920.

Figure 8.3 Government Pawnshop Monopoly: Costs and Revenues, 1900–1940 (thousands of guilders)



Source: Mellegers 2004

This lowering of interest rates in 1920 was a response to the large profits made in the immediately preceding years. From 1915 to 1918, annual profits averaged five million guilders; in 1919 they rose to an embarrassingly high seventeen million. Figure 8.3 shows the total costs and revenues of the government pawnshops as they developed over time.

With the onset of the post-war recession in 1920, profits turned to losses, contributing to the colonial state's large budget deficits in those years. So in 1924 the policy was changed again, and interest rates returned to their pre-1920 levels: seventy-two per cent, for instance, on the smallest loans (and almost all loans were very small). Finally in 1928, after some years of high profits, the rate on the smallest loans was again lowered to forty-eight per cent (although those on larger loans were maintained at existing levels).

It could be argued that the interest rate increase of 1924 was the result of a significant change in policy. Before the mid-1920s, the costs of and revenues from the government monopoly were on average more or less equal (see Figure 8.3). This changed in 1924 when the pawnshops once more became a significant source of net income for the colonial state. The change is perhaps indicative of the general development of the Ethical Policy as a whole, which lost much of its appeal and dynamism during the first half of the 1920s. A major reason for this was the state's need to reduce its expenditures.

The *volksbanken* began operations with an interest rate on loans of twelve per cent (and six per cent on savings), but by 1910 this was already considered too low, and was raised to eighteen per cent. Interest rates on loans supplied by other institutions are more difficult to measure. Van Laanen (1980, p. 41) has collected estimates of those rates, which estimates are reproduced in Table 8.1 below. The interest rates of the *lumbung* refer to the extra amount of rice borrowers had to return after

Table 8.1 Estimates of Interest Rates on Loans Supplied by the Government Credit System, 1905–37 (Per Cent Per Year)

	Volksbanken	Dessabanken	Lumbung
1905–1913	12–18	24–45	—
1913–1926	13.5–18.8	40–60	30–50
1929–1937	8–15	30–40	25–30

Source: Van Laanen 1980, p. 41

the harvest; because prices were much lower after the harvest than before it, the nominal interest rate in monetary terms was lower, perhaps by as much as fifteen to twenty per cent.

The rates quoted in Table 8.1 were much lower than those prevailing on the private market before the advent of the government credit services. In his conclusion to the extensive enquiry into the welfare of Java's population held in 1904 and 1905, Hasselman (1914, p. 12) estimated interest rates on loans in rice (to bridge the time before the next harvest) at 100 per cent per year. His estimated average for loans in cash was fifty per cent, which was not very much higher than the rates offered by the *dessabanken* (Cramer 1929, p. 11). The estimates produced by Hasselman are probably representative of nineteenth-century interest rates in general. In sum, with the possible exception of loans by the *dessabanken*, interest rates on loans supplied by popular credit service institutions were much lower than in the private sector.

The Supply of Savings

This lowering of interest rates was possible because the state stepped in and spent sizeable amounts of resources on the newly established or reformed institutions. In order to ensure that the improvement was sustainable independently of state support, the new institutions would have had to induce the population to bring their savings to them. This, however, did not happen on any scale. Only a small fraction of the loans supplied by the new institutions were financed from savings which they mobilized themselves (Van Laanen 1980, p. 40). If the pawnshops are included in the calculation, before 1930 this proportion fluctuated between ten and thirteen per cent. Excluding the pawnshops, it was about twenty to twenty-five per cent. After 1930 it rose fractionally, but at twenty-seven to twenty-eight per cent (excluding pawnshops) it continued to be far below parity.

Several factors help to explain this. At first sight the stagnation in savings can be considered the logical result of lowering interest rates, as lowering the price of something would normally — at least in the short run — result in a reduction in the supply of it. But the links between interest rates and savings are quite complex, since a large part of savings is linked to the life cycle, and a decline in interest rates, and therefore of the future income which can be derived from past savings, may induce

households to increase their savings in order to compensate for this effect. Theoretically, therefore, multiple equilibria may exist at different levels of savings and interest rates. This is obviously a complex issue, but the experience of post-1350 western Europe suggests that a lowering of interest rates can happen simultaneously with an increase of savings, resulting in a new long-term equilibrium.

Institutional factors may also have played a role. A significant contrast with respect to post-Raiffeisen Europe is that in Indonesia the new institutions set up after 1900 never became independent cooperatives for which the farmers themselves were responsible, and which they could therefore trust. They continued to be part of a colonial state which most peasants (and many members of the rural elite) distrusted. This limitation was stressed by such scholars as Djojohadikoesoemo (1943, pp. 180–81), and discussions on the reform of the government credit services consequently focused on ways to turn it into a true cooperative system. This appears to have been a very general problem associated with introducing the European model of the cooperative into very different sociopolitical environments elsewhere in the world. The lack of popular, "democratic" backing of cooperatives in such settings was a major impediment to their development. Often they degenerated into instruments used by small elites to exploit the rest of the rural population, and/or to redistribute government funds to their own advantage (Van Roosmalen and Van Zanden 2001).

There is also a case for arguing that the ultimate failure of the credit market reforms was linked to the fact that the colonial government was unable, and perhaps unwilling, to reform the fundamental institutional setting of the economy by introducing a clear-cut system of formal property rights which would have made it possible to use land and buildings already owned by the peasantry as collateral for loans. According to De Soto (2000), this failure is the major reason for the stunted development of capital markets in developing economies. In colonial Java, land owned by Javanese peasants could be sold to other Javanese, and probably even mortgaged, but Chinese and other "Foreign Orientals" (Arabs, Indians), and Europeans, could not buy this land, which restricted its mortgage value. Middlemen and local moneylenders filled this gap in the institutional framework (which made it nearly impossible to use land as collateral for loans from the *volksbanken*) by finding other, informal ways of mortgaging land which contributed to the increased dynamism of the private capital market in the 1930s (Djojohadikoesoemo 1943, pp. 174–75). This success,

however, was achieved not because of the official credit services, but more or less in spite of them.

A final factor militating against success was the fact that when peasants did save, when they did earn a certain surplus which could be invested, they tended not to save money, but to invest directly in goods, in land, oxen, jewellery and the like. These were goods with a high liquidity. They could be taken to the pawnshop or, in the case of land, mortgaged on the informal capital market. High interest rates are (perhaps) characteristic of economies in which trust in the capital market is very limited and a large part of savings finds its way directly into goods. Because this is the case, the capital market continues to be underdeveloped, brittle, and risky, and interest rates continue to be high.

Conclusion

This review of late colonial policies designed to restructure local capital markets, raise their efficiency and improve access to them for local farmers, has shown that the colonial state developed relatively modern developmental ideas and implemented equally modern reforms. Colonial administrators reformed the existing system of pawnshops by introducing a government monopoly, and attempted to introduce and popularize the Raiffeisen model of cooperative banking, which at the time was a success story in western Europe. These reforms, which were part of the Ethical Policy initiated in 1901, were moderately successful in the sense that in those parts of the capital market which were monitored by the state, interest rates fell substantially. For those villagers who managed to gain access to this segment of the market, credit became cheaper. Institutional improvements during the period 1900–20 help to explain why the output and productivity of Javanese agriculture increased strongly in this period, whereas during much of the nineteenth century it had remained more or less stagnant (Van der Eng 1996; Van Zanden 2002).

Nevertheless, the success of this element of the new welfare policy was mixed. Indigenous savings did not increase, and the local banks remained dependent on the savings of Europeans and on subsidies from the colonial state. The new banks also remained under the administrative tutelage of the colonial administration, which monitored their activities closely as a guarantee against corruption and mismanagement. The human capital and "civil society" necessary for a "bottom-up" approach were simply not present in Java, and whether existing local institutions facilitated

cooperative efforts (as many colonial officials thought, and as Soekarno and other nationalist thinkers have maintained since), or in fact obstructed them, is still an open question (Henley 2007).

In the long run, the reforms failed to change conditions on rural capital markets. They were already put to the test in the 1930s, when the system continued to run (albeit far from smoothly), but moneylending and other private sector credit became increasingly important once again (not least because it was often more flexible) and many of the old malpractices, which, of course, had not disappeared in the 1920s, resurfaced (Djojohadikoesoemo 1943). The colonial welfare services did not survive the war and the struggle for independence, and in the 1950s the problems that had plagued local capital markets in the nineteenth century returned.

Notes

[1] The daily wage of an unskilled labourer, by comparison, was about 30 cents.

[2] De Waal 1865, pp. 340–42; Mellegers 2004. The guilder — abbreviated *f*, originally for 'florin' — was worth approximately 0.4 comtemporary U.S. dollars, or roughly ten U.S. dollars in terms of modern (2007) prices.

[3] The only available statistics on the activities of private pawnshops before 1901 come from the period of liberalization in the 1870s. From the statistics published in the *Koloniaal Verslag* for 1874, it can be established that total pawnshop lending was in the region of eleven million guilders (data for a few residencies are missing, so this is probably still an underestimate), or about fifty cents per capita. The government monopoly passed this threshold (on a per capita basis, allowing for population growth) only in 1909, when a total of *f* 19,8 million was lent.

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Appendix

References to Debt and Debt Bondage in the Epigraphic Record from Early Island Southeast Asia

Since the publications in which many of the inscriptions cited in Chapter 2 appear have limited circulation, translations of the relevant passages are provided below. Bibliographic references refer to the literature list at the end of Chapter 2.

A. Debt-Clearance Documents: Java and Luzon

1. Bulai. Java, 860 A.D. (De Casparis 1956, pp. 330–37; Sarkar 1971, no. xxi).
   (1) … 2 *kati* 7 *suwarṇa* 8 *māṣa* of gold and 1 *māṣa* of silver in the safekeeping of the community council of Air Ha …. (6) … *ḍapunta* Anggada spoke of his desire to finish at once the matter of that gold …. (8) … the senior *rakarayān* declared *ḍapunta* Anggada the loser [in the court case]. (9) … that *śuddhapātra* written on copper plate ….

2. Kurungan/Wurutunggal. Java, 885 A.D. (Stutterheim 1940, pp. 29–32; Machi Suhadi and Soekarto 1986, no. 2.5.2).
   (I.a.1) … At that time *ḍang ācāryya* Munīndra bought wet-rice land [of] the community council of Parhyangan in the apanage of Wurutunggal. Kurungan is the name of the wet-rice land [that is to] become benefice for the sacred offering place. The purchase price of it [was] 1 *kati* (768 grams) of silver. Gifts to the community council [were]: 3 *dhāraṇa* (115.2 grams) of silver; there was [also] the interest (*panganak*), [totalling] 7 *dhāraṇa* (268.8 grams of silver), [owed by] the community council on their debt (*hutang*), which was included as a gift, along with 1 goat worth 4 *māṣa* of silver. The total silver expended was 1 *kati* 10 *dhāraṇa* 4 *māṣa*. The aim of the [transaction

involving the] silver was the repayment (*panahur*) of the debt of the community of Parhyangan …. (9) … Thus the householders [of Parhyangan] gave their wet-rice land [to the] benefice [created by] *ḍang ācāryya* Munīndra. Completely cleared and acquitted (*huwus śuddha pariśuddha*) [is their debt] ….

3. Laguna. Luzon, 900 A.D. (Postma 1991).
(I.a.2) … That was the time when *dayang* Angkatan, together with her sibling named *si* Bukah, (3) children of *dang hwan* Namwran, were given the esteemed gift of a document of complete clearance (*wiśuddhapātra*) [of debt] by the *sang pamgat senāpati* of Tuṇḍan, (4) represented by the *dang hwan nāyaka tuhān* [of] Pailah, Jayadewa. In this manner, *dang hwan* Namwran, through the *dang kāyastha*, (5) [received] clearance (*śuddhā*) and discharge (*diparlappas*) of the debt (*hutang*), the amount of it being 1 *kati* 8 *suwarṇa* [in gold], in the presence of the *dang hwan nāyaka tuhān* [of] (6) Puliran, Kasumuran; the *dang hwan nāyaka tuhān* [of] Pailah, represented by Gaṇaṣakti; [and] the *dang hwan nāyaka tuhan* (7) Binwāngan, represented by Biśruta. Thus, all of [*dang hwan* Namwran's] relatives were discharged (*kaparāwis*) [of debt] — by the *sang pamgat dewata*, (8) represented by the *sang pamgat* of Mḍang — because of his loyalty as subject of the *sang pamgat*. Thus, all of the children (9) [and] grandchildren of the *dang hwan* Namwran were cleared and discharged (*śuddha ya kaparāwis*) of the debt (*hutang*) of *dang hwan* Namwran to the *sang pamgat dewata*. This [document was issued] in case (10) there is anyone in the future, young or old, [who claims that] the debt has not yet been discharged (*wlung lappas hutang*) of the *dang hwan* [Namwran] ….

4. Guntur. Java, 907 A.D. (Brandes 1888; Sarkar 1971, no. lxxiii).
(I.a) … That was the time when *pu* Tabwĕl, resident of Guntur, a dependency of the monastery of Garung, received the legal judgement (*guṇadoṣa*) by *samaggat* Pinapan *pu* Gawul and his wife *pu* Gallam, residents of Puluwatu. The reason for the judgement was that [a person] named *sang* Dharma, father of Manghampig, originating from Wurakung, made a claim against (*tumagih*) *pu* Tabwĕl, demanding [repayment of] 1 *suwarṇa* of gold. This was not the debt (*hutang*) of *pu* Tabwĕl; it was the debt of his wife, named *si* Champa, a relative of *sang* Dharma. *Si* Champa having died, a claim [for repayment] was made against *pu* Tabwĕl by *sang* Dharma. [Since] there were no children

of *pu* Tabwĕl and *si* Champa, and [since] *pu* Tabwĕl denied knowledge of the debt, he approached *samaggat* Pinapan. *Sang* Dharma did not attend the arranged meeting (court session). Therefore judgement was given against (*inalahakan*) him by *samaggat* Pinapan; also because a debt may not be inherited (*tumibā*) by a husband without the knowledge of that husband, and certainly not if there are no children of the union …. Thus was the number of witnesses verifying the complete clearance from debt (*śuddhapariśuddha*) in the court judgement …. To prevent further representations, in perpetuity, is the reason for [the inscribing of] this record of victory in the lawsuit (*jayapātra*).

5. Wurutunggal. Java, 912 A.D. (Sarkar 1971, no. lxxxi; Christie 1996, p. 282).
(A.2) … [That was the] time when [*ḍang*] Nawī repaid (*sumahur*) the debt (*hutang*) of his/her father to *mpu guru* (3) Dhayā, the repayment [totalling] 16 *suwarṇa* 10 *māṣa* 2 *kupang* 5 *saga* of gold. The gold was received (4) by *pu* Lāti, father of Bayal, resident of the community of Wurutunggal, (5) who signed [the document] along with *pu* Wijah, father of Bhūmi, resident of the community of Wurutunggal. The debt of [*ḍang*] Nawī to *mpu guru* Dhayā is cleared (*śuddha*) ….

B. Land-Pawn Documents: Java

1. Panggumulan II. Java, 903 A.D. (Sarkar 1971, no. lxiv; Titi Surti Nastiti et al. 1982, pp. 16–17, 34–35).
(3.b.9) … At that time the *rakryān* of Wantil — husband *pu* Pālaka and wife *dyah* Prasāda, and their three children — *pu* Palaku, *pu* Gowinda, [and] *dyah* Wangitamuy — redeemed (*tumbus*) land of the community council of Panggumulan, [that is], the pawned (*kasaṇḍa*) orchard land called Siddhayoga, and, in addition, wet rice land at Panilman was bought for 3 *kati* of silver from *ḍapunta* Prabhu and *ḍapunta* Kaca ….

2. Mpu Mano. Java, 966 A.D. (Brandes 1913, no. lv; Damais 1955, p. 183).
(I.a.3) … That was the time when *mpu* Mano presented, as a meritorious gift [to act as] benefice (*sīma*), land belonging to his family, inherited by him from his ancestors …. (I.b.2) Further, in connection with the wet rice land to the south of the sanctuary [measuring] 3 *tampah*, that had been pawned (*sinaṇḍa*) by the *mpuṇgku* [of] (3) Susuk Pagĕr and the *mpungku* of Nairañjanā for 2 *kati* of gold, [for the benefit of] the

religious foundation of the *mpungku* of Susuk Pagĕr and the *mpungku* of Nairañjanā: it was requested that (4) that land be joined to the wet rice land to the north for the use of the sanctuary. For that reason the pawned wet rice land was redeemed (*tinbus*) by *mpu* Mano for 3 *kati* of gold, intended for the (5) enjoyment of the holy sanctuary by the grace of *mpu* Mano ….

C. Regulation of Debt and Debt Bondage: Bali and Java

Tenth-Century Charters from Bali, written in Old Balinese

1. Bangli Pura Kehen A. Bali, early tenth century (Goris 1954, no. 005).
(I.a.4) … If here are temple servants (*hulun dang*), who are *hulun*-servants, [or] temple slaves (*kalula dang*) who are *kalula*-slaves, their debts (*hutang*) are not to be doubled (*kalpihan*) ….

2. Sembiran IA. Bali, 922 A.D. (Goris 1954, no. 104).
(III.a.6) … If in the community there are those held as *hulun*-servants who wish to pay off their debts (*bayṛn hutang*), the whole principal (*hamulaña*) only must be paid; [the debt] is not to be doubled (*kadugan*) ….

3. Pengotan AI. Bali, 924 A.D. (Goris 1954, no. 105).
(II.a.2) … If there are any debts owed in gold (*pahutangañña māṣ*), double is not to be cleared (*tani kasiddhan kadugan*), [only] the principal is to be paid (*hamulan hutangña. me wayaṛñña*) ….

4. Manik Liu AI. Bali, 955 A.D. (Goris 1954, no. 202).
(II.a.2) … Also, if [there are] debtors (*mahutang*), [their debts] are not to be doubled (*kalpihan*), not to be demanded (*parpatihangĕn*) [all at once]. [Rather], their repayment (*pamuhakyanya*) shall be 4 *māṣaka* per *tahil* each year ....

Eleventh- and Twelfth-Century Inscriptions from Java and Bali, written in Old Javanese

5. Kakurugan. Java, 1023 A.D. (Cohen Stuart 1875, no. v; Boechari 1986, pp. 67–72).
(V.b.2) … [They] shall be allowed to give refuge to insolvent debtors (*ahutang rangang*), [who] shall incur repayment of all of their debts

(*katmu tataleˇn sahutangnya puhakana*) by instalments of 2 *māṣa* per *tahil* each year ….

6. Kambang Śrī/Gandakuṭi. Java, 1042 A.D. (Brandes 1913, no. lxiii; Boechari 1986, pp. 72–75).
(II.b.4) … Further, should the occasion arise that respectable people (*parasujana*) fall into debt (*ahutang*), whatever the cause, then the debts of [those] people shall be repaid by instalments (*panatalanya*) of 2 *māṣa* per *tahil* [each year], or, if they are unable [to repay at that rate], then by such instalments as they are able to pay ….

7. Maleˇnga. Java, 1052 A.D. (Boechari 1986, pp. 168–69).
(IV.a.3) … are allowed to have sexual intercourse with [female] *kawula*-servants in compensation for monetary debt (*anwasdhaṇa utang*) ….

8. Dawan. Bali, 1053 A.D. (Ardika and Sutjiati Beratha 1998, no. 404a).
(VI.a.5) … If there are claims against debtors (*pihutangnya*) there — due to theft, [fines for] wrongdoing, destitution, debts of [corvée] assistance (*hutang patulungan*) — [the debtors] shall not pay double the principal [of the debt] (*tan panahura lpih sakawwit*) …. (VI.b.2) … Likewise, people in Lutungan, if they are debtors through destitution (*pahutang ing krangan*) because of thieves from other communities, or [by their being] wrongdoers [paying off fines], they must repay all of the principal (*nahura sakawwit*) [of their debt] in the temple [under the oversight of] officials, and the recipients [of the payments] there (3) shall not be subject to *papacaksu*-fee …. (VI.b.5) … Also, if there are dependent servants (*raray hulun*) who borrow money (*nyilih pirak*) from people in Lutungan, they shall not straight away be seized (6) by their creditors (*pradhana*), but only after first reporting to the chief priest and then to the overseer, who both have the right of services of servants. Should those dependent servants not wish to redeem themselves (*tan aharpyanbusa*), they shall be handed over. If, however, they wish (VII.a.1) to redeem themselves, one year shall be agreed in which they shall repay the whole of the principal of their debt (*satahun anahura sakawwitni hutangnya*). The period of time from the borrowing of money to the [agreed] end date shall not be increased (*tan tambeˇhana ri kalanyan lungha nyilih pirak*). [If, during that year], they are seized by their masters, in whatever manner, after (2) [their masters] have been informed [that sanctuary has been granted], then they shall cease to be

held as servants. Likewise, masters must allow their dependent servants to redeem themselves by making repayment (*anbusa anahura*) in the presence of the chief priest. The disposition of the repayment shall be as follows: the *pañji* (corvée labour payment) is to be divided into three parts, one third going to the community council, and two thirds going to the holy sanctuary; of that two thirds [going to the sanctuary], one third shall go to the god, one third shall go to the chief priest, and one third shall go to the personnel of the holy place ….

9. Sukawati A. Bali, mid to late eleventh century (Ardika and Sutjiati Beratha 1998, no. 435).
(V.b.4) … If there are runaway *hulun*-servants, [who are servants due to] borrowing money (*anilih pirak*), who come there, those servants are not to be seized by their creditors (*pradhāna*) (5) without first reporting to the chief priest and then the overseer of the religious foundation. Both of them have the right to the services of servants. If [the servants] wish to repay their debts (*sumahura hutangnya*), two years shall be fixed (6) in which they can repay the whole of the principal (*sawwit*) [of the debt, as well as] all of the content of the *pañji* on it (*sesini pañjinya*). [The debts] are not to be doubled (*tan lĕpihakna*). However, those who do not wish to repay their debts shall be handed over as dependent servants to their creditors ….

10. Dausa, Pura Bukit Indrakila AII. Bali, 1061 A.D. (Ardika and Sutjiati Beratha 1998, no. 407).
(IV.b.1) … Likewise, if there are debtors (*wwang mahutang*) (2) who take refuge there, they are not to be subject to *iwakhyang*, not to be forced to obey [their masters], [and] not to be subjected to mastery. Rather, they shall [be expected to] repay all the principal of their debt only (*anahura sakawwit i hutangnya juga*). (3) [The debt] shall not be doubled (*tan lpihakna*). Further, if respectable people suffer from debts of misfortune (*baritbarit*) through no fault of their own, they shall repay those debts of misfortune in accordance with the law (*sahurn tkap rikang dharmma*) ….

11. Bangkala/Pakwan. Bali, mid to late eleventh century (Tuuk and Brandes 1885).
(V.a) … Likewise, if there are any debt claims (*pihutang*), any kind of debt claim, including [those involving] debts of [corvée] assistance

(*hutang patulungan*), against people of Pakwan, [the debts] are not to be doubled (*tan lĕpihakna*). Rather, they shall only repay all of the principal (*manahura sawwit*) …. Likewise, if there are dependent servants (*rare hulun*) who take refuge (V.b) in the community of Pakwan, they are not to be taken by force/treated with violence or subject to *iwakhyang* [by their masters]. Their debts are not to be doubled (*tan lpihakna hutangnya*); rather, they shall repay (*amuhakana*) [their debts at a rate of] 4 *māṣaka* per *tahil* only each year. They are not to be forced to obey [their masters]; further, if [their masters] use force to impose *iwakhyang*, to take away their servants, without waiting for repayment, they shall be charged with criminal offence under all the regulations concerning imposition of *iwakhyang*, and furthermore, they shall lose mastery [over those servants] ....

12. Pengotan AII. Bali, 1069 A.D. (Ardika and Sutjiati Beratha 1998, no. 431).
(V.b.3) … If householders of Silihan [and] Kundungan have "broken iron" (incurred debts of misfortune), the whole of the principal of their debts is to be repaid by them (*sawwit hutang juga sahurnya*), [but the debts] are not to be doubled (*tan lpihakna*). This previously-established arrangement shall be regulated for their protection ….

13. Gunun Pai/Pandak Bandung. Bali, 1071 A.D. (Stein Callenfels 1926, pp. 14–18; Ardika and Sutjiati Beratha 1998, no. 436).
(III.b.1) … In addition, if here are [those who are] *hulun*-servants of others due to borrowing [their] money (*lumakwanilih pirak*) who come there [seeking refuge], they are not to be carried off, not to be subject to *iwakhyang*, not to be ordered. Rather, they shall repay (*anahura*) 4 *māṣaka* per *tahil* of their debt each year, the whole (2) of the *pañji* (*sesini pañjinya*) to be included. If those *hulun*-servants are taken by force, *iwakhyang*, then, at that moment they are seized their masters shall cease to hold them in servitude. [If their debt is repaid], the *hulun*-servants (3) shall consequently, at the correct time, cease to be servants, having succeeded in redeeming their persons/bodies (*tumbusa śarintĕnya*). Further, [the *pañji* of] their repayment (*panahurnya*) shall be divided three ways: one third going to the god, one third going to the chief priest, and one third going (4) to the personnel of the holy place …. (IV.a.4) … If there are those in debt due to [fines for] wrongdoing, to thieves, to destitution, to debts of *patulungan*-labour

duties, (IV.b.1) [these debts] shall not be doubled (*tan palakwana lpih*). [They] shall only repay the whole of the principal (*anahura sawwit*) ….

14. Sawan AII/Bila II. Bali, 1073 A.D. (Ardika and Sutjiati Beratha 1998, no. 441).
(IV.b.1) … If there are (2) people in debt (*wwang ahutang*) through borrowing money (*inyilih pirak*) who come to Bila, they are not to be taken by force, and are not to be forced into servitude. Rather, they shall repay (*amuhakana*) [their debts at a rate of] 4 *māṣaka* per *tahil* only each year of their lives. [The debts] are not to be doubled (*tan lpihakna*). (3) Further, if any [masters] impose *iwakhyang*, their servants shall be freed, [and the masters] shall pay a fine (*doṣa*) for their offence of 1 *suwarṇa* 4 *māṣaka*. Likewise, all of those who are in a state of servitude, [but] living in their own household, shall offer up *rot*-tax of 2 *kupang* each year (4) per head ….

15. Srokadan B/Sukawati C. Bali, 1077 A.D. (Ardika and Sutjiati Beratha 1998, no. 446).
(VI.a.1) … If there are any who use force, [or] impose *iwakhyang*, [or] trample on the spirit of the protection of the grant of His Majesty, they will be subject to the regulations of the holy religious foundation. In addition, if there are (2) [those who are] servants of people through their having borrowed money (*huluning wwang lumakwanilih pirak*), [who] come there, they are not to be seized by force without first reporting to the chief priest and then the overseer of the holy place, [who] have the right of services of (3) servants. If [those debt-servants] wish to repay their debts (*sumahura hutangnya*), one year shall be fixed before they must repay the whole of the principal (*anahura sawwit*), the whole content not to be doubled (*sesini tan lpihakna*). However, those who do not wish (4) to repay their debts shall be handed over as dependent servants to their creditors. Further, if there are people who wrongfully seize their servants, after having been informed [that sanctuary has been granted], (5) then [the servants] shall cease to be held in bondage. Likewise, at the proper time, they shall cease to be held in bondage, [for if] there are relatives or friends of their who wish to redeem (*aharp tumbusa*) them, they shall be allowed (VI.b.1) to redeem their persons/bodies (*tumbusa śarintĕnya*). Further, dependent servants

(*rarai hulun*) shall be allowed to redeem [themselves] by repaying the whole of the principal of their debt (*atbusa sakawwit ihutangnya*) at the holy religious foundation, in the presence of the chief priest. [The *pañji*] shall be divided as follows: two thirds (2) going to the holy religious foundation at Air Kanakāntarālaya, and one third to the community council of Bwah. The two thirds going to the holy religious foundation shall be subdivided as follows: one third going to the god, one third going to the chief priest, and one third going to the [personnel of the sanctuary] ….

16. Klandis. Bali, mid to late eleventh century (Ardika and Sutjiati Beratha 1998, no. 448).
(V.a) … Likewise, if there are debt-claims (*pihutang*) against people of Pakwan, [the debts] shall not be doubled (*tan lĕpihakna*), shall not be subject to overseer-levy …. Likewise, if there are dependent servants (*rare hulun*) who come to take refuge (V.b) in the community of Pakwan, [they] are not to be subjected to force, [and] their debts are not to be doubled (*tan lpihakna hutangnya*). Rather, [they] shall repay 4 *māṣaka* per *tahil* only [of their debts] each year ….

17. Gobleg Pura Desa III. Bali, 1115 A.D. (Stein Callenfels 1926, pp. 1–6).
(III.a.4) … 1037 … (IV.b.3) … Likewise, if there are dependent servants (*rarai kawula*) who take refuge in Er Tabar — no matter what sort of person — because the religious foundation is a place of sanctuary, they are not to be seized precipitately, not to be subject to *iwakhyang*, (4) not to be carried off as captives bound in rattan. Rather, [they] shall only repay 4 *māṣaka* [per *tahil*] each year of their debts, as is customary (*tarakramani hutangnya*). [The debts] are not to be doubled (*tan lpihakna*). Further, if there are those who seize their servants by force, after having been informed [that sanctuary has been granted], (5) a fine of 3 *suwarṇa* 2 *māṣaka* of gold shall fall upon them. Likewise, if those taking refuge — having been named twice, thrice — are still unwilling to repay (*tan anggāmuhakana*), [their debts] their creditors (*sang pradhana*) shall be able to seize them as servants without committing an offence. Further, (6) if there are descendants of servants of any kind who have households there, they shall only pay *rot*-tax of 2 *kupang* each year for *sari*-performance ….

18. Paradūwan i Padlĕgan. Bali, 1116 A.D. (Brandes 1913, no. lxvii; Machi Suhadi and Richadiana K. 1996, no. 2.4.9).
(1) … 1038 … (6) … shall repay (*apuhaka*) two *māṣa* per *tahil* each year ….

19. Kuñjarāsana. Bali, 1155 A.D. (Ginarsa 1973).
(I.b.7) … not including the (II.a.1) *Ūttara Widhi Bālawan*, [and] above all, the royal words/edicts …. (III.a.4) … Likewise, if there are records of debt-claims (*tulistulisan pihutang*) against people that have been stolen, [these matters] must be taken up by the overseer [of the holy place], [and] must immediately be brought into the open by the overseer, and discussed in front of the community council. Proof from those who are familiar with the debt-claims [must be produced]. [If] the overseer does not bring these matters to the notice of the community council in a (5) timely manner, slander and violence could result …. (7) … In addition, if there are people of Sābhaya who are in debt (*ahutang*) who have been robbed — all kinds of debts, including corvée labour-duty debts (*hutang patulungan*) for the *mulakarrya*-rituals — [their debts] are not to be doubled (*tan lpihakĕna*), [and they] shall have a year to repay only the whole of the principal (*manahura sa[w]wit*). They shall not be subject to the (III.b.1) overseer-tax …. (V.a.4) … Further, (5) if [the community members] succeed in capturing thieves, or even in killing thieves, of any kind, [if they are debt-servants], no debts or *kuñcir* (compensation) can be demanded [of the community] by their masters …. (V.b.4) … Likewise, if there are dependent servants (*raray kawula*), including those in debt to creditors (*ahutang pradhana*), who take refuge in Sābhaya, they are not to be seized by their masters, not to be carried off bound in rattan, not to be subject to *iwakhyang*, not to be (5) forced to obey. Rather, [they] shall repay only 4 *māṣaka* per *tahil* [of their] debts each year, as is customary in the case of debts (*tarakrama ning hutang*). [The debts] shall not be doubled [or] subject to periodic interest payments (*tan lpihakĕna kna kālantara*). If there are those who forcibly (6) carry off their servants, after having been informed that sanctuary has been granted, [and] disregarding the import of the edict of his majesty the king, there will, without fail, fall upon them a fine of 3 *suwarṇa* 2 *māṣaka* of gold. In addition, their (7) debt-claims will be annulled (*kahilangan ri pihutangnya*) …. (VIII.a.1) … Likewise, if

there are people of Sābhaya (2) who are in debt — any kind of debt — they are not to be carried off bound in rattan, or to be subject to *iwakhyang*, or to have their movements restricted, except with the permission of the chief priest at Kuñjarāsana. The chief priest shall give full attention to the case of [each] debtor. (3) If there are any who act precipitately, without asking permission of the chief priest at Kuñjarāsana, without speaking outside [the precincts of the holy sanctuary], without obtaining an interview at the proper time, or (4) obtaining permission, or likewise speaking in the interior of the holy sanctuary with the chief priest, or meeting together (5) to put their case, then their debt-claim shall fly away, shall be annulled. Further, at the behest of the chief priest, there shall fall upon them a fine for their transgression of 3 *suwarṇa* 2 *māṣaka* of gold ….

20. Sukun. Java, 1161 A.D. (Boechari 1988).
(II.b.4) In addition, if there are debtors (*wwang ahutang*) who take refuge in this *sāmya haji* community, [they] shall incur repayment by instalments (*katĕmwa tatalĕn*) of 1 *māṣa* each year per *tahil*. Further, if violence [is used against those who] have not repaid (*tan sahurĕn*), at that time, that week, [they] shall not [be required] to complete repayment of that debt ….

21. Buyan-Saṇḍing-Tamblingan. Bali, 1181 A.D. (Sukarto K. Atmodjo 1970).
(VI.b.3) … In addition, if there are dependent servants (*rare kawula*) who come to take refuge in Buyan, Saṇḍing [and] Tamblingan, they are not allowed to be seized, or carried off bound in rattan, or subject to *iwak[h]yang*. If there are [those who] seize by force [and] carry off [their servants] bound in rattan, then the community council is allowed to resist them by force without incurring [fines for] crimes or misdemeanours ….

22. Duhan i Jaring. Java, 1181 A.D. (Brandes 1913, no. lxxi; Machi Suhadi and Richadiana 1996, no. 2.4.1).
(A.19) … Also [may obtain] profit (*kapanggih[a]*) from (20) interest (*putra*); are allowed to *talyatdakan*; [Debtors] who take refuge in that [community of] Jaring (21) [..] shall incur repayment (*katĕmwa puhak*) of one *māṣa* per *tahil* each year ….

23. Buwahan. Bali, 1181 A.D. (Stein Callenfels 1926, pp. 40–45).
(IV.a.3) … Likewise, if (4) there are children or descendants of servants, including those in the service of aristocratic officials, who have households in the community, they are not to be subject to levies for guarding or corvée labour at the residence of the district head. Rather, they shall pay only a *rot*-tax of 1 *kupang* per door each (5) year …. (V.b.1) … In addition, with regard to the members of the whole community council, (2) there shall be limits on debt-claims (*pihutang*), royal taxes, householder duties, interdictions, confiscations, tasks assigned to servants, people called up for corvée duties, above all on royal orders, (3) as well as on written [orders] of high officials concerning tasks of all kinds — the limits shall be regulated. [They] shall pay 1 *kupang* in *taḍah*-contribution [and] 3 *sāga* in *sowegöng*-contribution …. (V.b.6) … Likewise, if there are members of the whole community council in debt (*ahutang*) to anyone — including labour-duty debts (*hutang patulungan*) — [who are] subject to written contracts and the whole of the *pañji* (*ktmu tulistulisnya mwang papañjyanya*) — (VI.a.1) [and these documents] are robbed by thieves, the theft of the written contracts must be brought before the community council straight away. Due to the harm caused by the theft, [their debts] are not to be doubled (*tan lpihakna*), (2) are not to be subject to periodic interest payments (*tan kna kalantara*). Rather they shall repay only the whole of the principal (*manahura sawwit*), [and] not to be subject to periodic *pañji* (*tan kna sbit pañji*), including writing/decorating-levies and purchase of alcohol levies [for temple ceremonies]. [Also], they are not to be subject to *pacakṣu*-fee [or] *pangiwö*-contribution. If there are (3) those who plunder/demand through menace (*sang angrampas*) debt-claims (*anaginagiha pihutang*) of anyone, who are not brought before the community council, through having caused fear, [there shall still] without fail fall upon them a fine of 3 *suwarṇa* 2 *māṣaka* of gold ….

24. Gobleg Pura Batur. Bali, late twelfth century. (Stein Callenfels 1926, pp. 8–12).
(VI.a.2) … Moreover, if there are people — all sorts of people, including those who serve as *kawula*-servants, (3) temple servants, royal servants, and especially those coming from other lands, from other islands (*paradeśa sakeng dwīpāntara*) — sojourning with people in Tamblingan and in Jumpung, who experience bereavement, their

hosts must not act violently towards them (4) at the time when they are suffering from that bereavement. [However], their hosts may dispose of the corpses without reporting to all of [the proper authorities], the foremost being his majesty the king. Also, with respect to the masters of [deceased sojourning] *kawula*-servants, [the hosts] shall not incur (5) fines, and shall not be responsible for the debts [of the deceased servants]. Likewise, regarding the people of Tamblingan, including both members of the community council and those who pay *rot*-tax — there shall be a fixed limit on all royal taxes; on householder duties, including debt-claims (*pihutang*) or fines for crimes and for misdemeanours; (6) on interdictions, confiscations — all types of these shall be regulated. They shall pay 2 *kupang* towards the *gĕṇḍing*-player fee, but are not to be subject to *pangiwö*-contribution or *taḍah*-contribution, and they are not to be subject to *pabaru*-levies, and all kinds of royal taxes, including householder-duties of all types. (VI.b.1) Likewise, if there are dependent servants (*rare hulun*) and those in debt to creditors (*ahutang pradhana*) who take refuge in the community of Tamblingan, they are not to be seized by their masters, not to be disciplined, not to be subject to *iwakhyang*, not to be carried off bound in rattan, (2) [and] not to be forced into servitude. Rather, they shall only repay (*amuhakana*) 4 *māṣaka* per *tahil* of debt each year, as is customary for debts (*tarakrama ni hutangnya*). [The debts] are not to be doubled [or] to be subject to periodic interest payment (*tan lpihakna tan kna kalantara*). (3) They are not to be subject to writing/drawing contribution [or] alcohol-purchase levy [for ceremonies]; [they] are not to be subject to *pañcaginan*. If there are those who seize their servants by force, after having been informed [that they] have been granted sanctuary, [there shall] without fail fall upon them *langka*-fines of 3 *suwarṇa* 2 *māṣaka* of gold, and also, the community council (4) shall be allowed to resist them without incurring fines for crimes ….

25. Kĕmulan. Java, 1194 A.D. (Brandes 1913, no. lxxiii).
(A.1) … 1116 … (22) … Thus [allowed] the taking by them, when found, debtors (*mahutang*) .... (B.6) ... reduce the division by two of *māṣa*, the division by three of *atak*; ask for respite [from] corvée-debt collector (*tulung hutang*) ….

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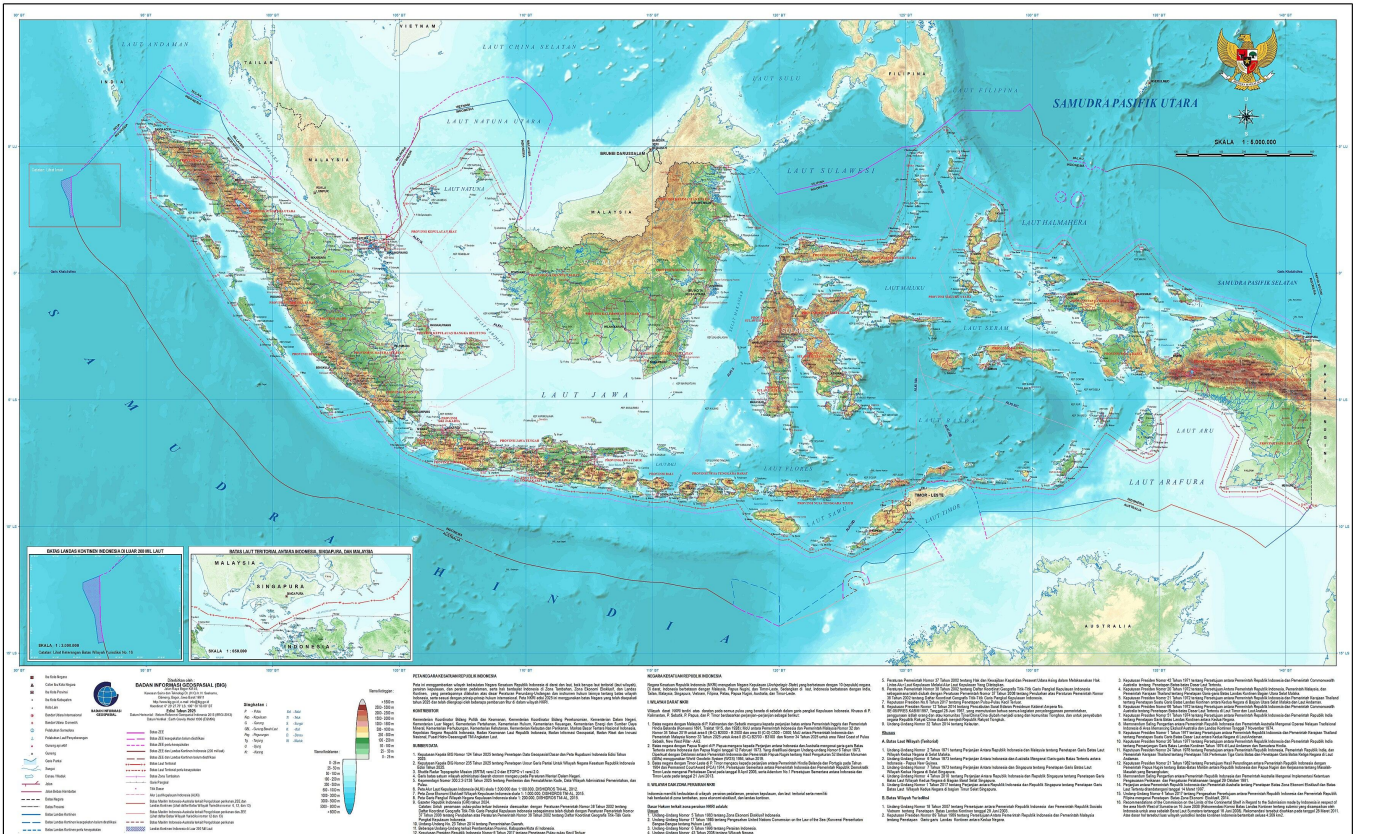
PETA NEGARA KESATUAN REPUBLIK INDONESIA



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- Ibu Kota Negara
- Ibu Kota Provinsi
- Ibu Kota Kabupaten
- Pulau Laut
- Batas Kawasan Konservasi Perairan (KKP)
- Batas Zona Tambahan
- Batas Landas Kontinen
- Batas Wilayah Indonesia-Australia berdasarkan perjanjian 2003 dan Landas Kontinen (Untuk daftar Batas Wilayah Tumbuka lihat no. 11, 12, dan 13)
- Batas Landas Kontinen Indonesia-Australia berdasarkan perjanjian 2018
- Batas Landas Kontinen Indonesia-Australia berdasarkan Keputusan Mahkamah Arbitrase
- Batas Landas Kontinen yang belum ditetapkan

Batas Laut :
- Batas ZEE Indonesia
- Batas ZEE Indonesia yang belum disepakati
- Batas ZEE dan Landas Kontinen Indonesia-Australia
- Batas Laut Teritorial
- Batas Laut Teritorial yang belum disepakati
- Batas Zona Tambahan
- Batas Negara
- Titik Referensi
- Alur Laut Kepulauan Indonesia (ALKI)
- Batas Wilayah Indonesia-Australia berdasarkan perjanjian 2003 dan Landas Kontinen (Untuk daftar Batas Wilayah Tumbuka lihat no. 11, 12, dan 13)
- Batas Landas Kontinen Indonesia-Australia berdasarkan perjanjian 2018
- Batas Landas Kontinen yang belum ditetapkan
- Batas Maritim Indonesia-Australia berdasarkan Keputusan Mahkamah Arbitrase
- Landas Kontinen Indonesia di luar 200 MIL Laut

Singkatan :

P. - Pulau	Kab. - Kabupaten
Kep. - Kepulauan	Prov. - Provinsi
G. - Gunung	Sungai
Gn. - Gunung Berapi (api)	Kab.
Pegu. - Pegunungan	Selat
Tg. - Tanjung	Teluk
Kab.	
Kepulauan	

Ketinggian :

0 - 50 m	
50 - 100 m	
100 - 150 m	
150 - 200 m	
200 - 250 m	
250 - 500 m	
500 - 750 m	
750 - 1000 m	
1000 - 1250 m	
1250 - 1500 m	
1500 - 1750 m	
1750 - 2000 m	
2000 - 2250 m	
2250 - 2500 m	
2500 - 2750 m	
2750 - 3000 m	
3000 - 3250 m	
3250 - 3500 m	
>3500 m	

Kedalaman :

0 - 25 m	
25 - 50 m	
50 - 100 m	
100 - 200 m	
200 - 500 m	
500 - 1000 m	
1000 - 2000 m	
2000 - 3000 m	
3000 - 4000 m	
>4000 m	

PETA NEGARA KESATUAN REPUBLIK INDONESIA

Peta ini menggambarkan wilayah kedaulatan Negara Kesatuan Republik Indonesia di darat dan laut, kecuali batas laut terluar (laut wilayah) perairan kepulauan, zona perairan pedalaman, serta garis kerjasama misalnya di Zona Tambahan, Zona Ekonomi Eksklusif, dan Landas Kontinen, yang penetapannya didasarkan atas dasar Peraturan Perundang-Undangan dan instrumen hukum lainnya tentang batas wilayah negara yang telah disepakati oleh Pemerintah Indonesia dengan negara tetangga. Peta ini juga menggambarkan batas Negara yang telah disepakati tahun 2022 dan telah ditetapkan oleh Indonesia yang belum ada di dalam wilayah RI/NRI.

KONTRIBUTOR

Kementerian Koordinator Bidang Politik dan Keamanan; Kementerian Koordinator Bidang Perekonomian; Kementerian Dalam Negeri; Kementerian Luar Negeri; Kementerian Pertahanan; Kementerian Hukum dan HAM; Kementerian Perhubungan; Kementerian Kelautan dan Perikanan; Kementerian Energi dan Sumber Daya Mineral; Kementerian Pariwisata dan Ekonomi Kreatif; Kementerian Agraria dan Tata Ruang/Badan Pertanahan Nasional; Kementerian Keuangan; Kementerian Lingkungan Hidup dan Kehutanan; Kementerian Riset, Teknologi dan Pendidikan Tinggi; Kementerian Komunikasi dan Informasi; Lembaga Ketahanan Nasional Republik Indonesia; Badan Informasi Geospasial; Badan Pusat dan Inovasi Nasional; Pusat Hidro Oseanografi TNI-Angkatan Laut.

SUMBER DATA

1. Keputusan Kepala BIG Nomor 134 Tahun 2020 tentang Penetapan Data Geospasial Dasar dan Peta Rupabumi Indonesia Edisi Tahun 2020.
2. Keputusan Kepala BIG Nomor 220 Tahun 2020 tentang Penetapan Unsur Geo Pantai Untuk Wilayah Negara Kesatuan Republik Indonesia Tahun 2020.
3. Shuttle Radar Topography Mission (SRTM) versi 2 Core (TOPO +) resi 2.0
4. Garis batas sesuai wilayah administrasi daerah otonom mengacu pada Peraturan Menteri Dalam Negeri.
5. Perjanjian Nomor 262 (2018) Tahun 2003 tentang Penetapan Garis Batas Laut Wilayah Indonesia dan Papua Nugini.
6. Peta Alur Laut Kepulauan Indonesia (ALKI) skala 1:500.000 dan 1:10.000.000 Tahun 2019.
7. Peta Zona Ekonomi Eksklusif Indonesia skala 1:2.000.000 dan 1:10.000.000 Tahun 2015.
8. Peta Zona Perairan Wilayah Negara Kesatuan Indonesia skala 1:500.000, DISHIDROS TNI AL, 2015.
9. Peta Landas Kontinen Indonesia di luar 200 MIL Laut
   Catatan: Untuk penarikan Jarak-Jarak terluar Indonesia disesuaikan dengan Peraturan Pemerintah Nomor 38 Tahun 2002 tentang Daftar Koordinat Geografis Titik-Titik Garis Pangkal Kepulauan Indonesia dan Peraturan Pemerintah Nomor 37 Tahun 2008 tentang Daftar Koordinat Geografis Titik-Titik Garis Pangkal Kepulauan Indonesia
10. Peraturan Pemerintah Nomor 38 Tahun 2002 tentang Penentuan Daftar Koordinat Geografis Titik-Titik Garis Pangkal Kepulauan Indonesia.
11. Perjanjian Belanda-Inggris tahun 1891 tentang Penentuan Garis Batas Laut Wilayah Kedua Negara di Sebelah Timur Pulau Sebatik.
12. Keputusan Presiden Republik Indonesia Nomor 81 Tahun 2007 tentang Penetapan Pulau-pulau Kecil Terluar

NEGARA KESATUAN REPUBLIK INDONESIA

Negara Kesatuan Republik Indonesia (NKRI) merupakan Negara Kepulauan (Archipelago). Dalam yang berbatasan dengan 10 (sepuluh) negara di darat, Indonesia berbatasan dengan Malaysia, Papua Nugini, dan Timor-Leste, Sedangkan di laut, Indonesia berbatasan dengan India, Thailand, Malaysia, Singapura, Vietnam, Filipina, Palau, Papua Nugini, Australia, dan Timor-Leste.

I. WILAYAH DARAT NKRI

Wilayah darat NKRI terdiri atas daratan pada semua pulau yang tersebar di wilayah dalam garis pangkal Kepulauan Indonesia. Khusus di P. Kalimantan, P. Sebatik, P. Papua, dan P. Timor berbatasan pada garis perbatasan sebagai berikut:

1. Batas negara dengan Malaysia di P. Kalimantan (ke Sebelah mengacu kepada perjanjian batas antara Pemerintah Inggris dan Pemerintah Hindia Belanda (Konvensi 1891, Tambat 1915, dan 1928) serta antara Pemerintah Indonesia dan Pemerintah Malaysia Nomor 22 dan Nomor 23 Tahun 2019 tentang Perjanjian antara Republik Indonesia dan Malaysia tentang Penetapan Garis Batas Laut Wilayah Pemerintah Malaysia Nomor 23 Tahun 2020 untuk area B (R.O.) 80700 - 81300 dan Nomor 24 Tahun 2020 untuk area Timur Coast of Pulau Sebatik (R.O.) 81300 - 81400.
2. Batas negara dengan Papua Nugini di P. Papua mengacu kepada Perjanjian antara Indonesia dan Australia mengenai garis batas Provinsi Tertentu antara Indonesia dan Papua Nugini tanggal 12 Februari 1973, yang diratifikasi dengan Undang-undang Nomor 6 Tahun 1973.
3. Batas negara dengan Timor-Leste di P. Timor mengacu kepada Perjanjian antara Republik Indonesia dan Republik Demokratik Timor-Leste mengenai Garis Batas Darat yang ditandatangani di Atambua pada tanggal 8 Maret 2005.
4. Batas negara dengan Timor-Leste di P. Timor mengacu kepada perjanjian antara Pemerintah Hindia Belanda dan Portugis pada Tahun 1904 dan Pemerintah Indonesia dan Pemerintah Timor-Leste tentang Perjanjian antara Republik Indonesia dan Republik Demokratik Timor-Leste mengenai Perbatasan Darat pada tanggal 8 April 2005, serta Keputusan No. 1 Persetujuan Bersama antara Indonesia dan Timor-Leste pada tanggal 21 Juni 2013.

II. WILAYAH LAUT (ZONA PENGAKUAN INTERNASIONAL)

Indonesia memiliki kedaulatan di wilayah perairan pedalaman, perairan kepulauan, dan laut teritorial serta memiliki hak berdaulat di zona tambahan, zona ekonomi eksklusif, dan landas kontinen.

Dasar hukum terkait zona perairan NKRI adalah:

1. Undang-Undang Nomor 17 Tahun 1985 tentang Pengesahan United Nations Convention on the Law of the Sea (Konvensi Perserikatan Bangsa-Bangsa tentang Hukum Laut).
2. Undang-Undang Nomor 6 Tahun 1996 tentang Perairan Indonesia.
3. Undang-Undang Nomor 43 Tahun 2008 tentang Wilayah Negara.
4. Undang-Undang Nomor 32 Tahun 2014 tentang Kelautan.
5. Peraturan Pemerintah Nomor 37 Tahun 2008 tentang Hak dan Kewajiban Kapal dan Pesawat Udara Asing dalam Melaksanakan Hak Lintas Alur Laut Kepulauan yang Ditetapkan.
6. Peraturan Pemerintah Nomor 38 Tahun 2002 tentang Daftar Koordinat Geografis Titik-Titik Garis Pangkal Kepulauan Indonesia sebagaimana telah diubah dengan Peraturan Pemerintah Nomor 37 Tahun 2008 tentang Perubahan atas Peraturan Pemerintah Nomor 38 Tahun 2002 tentang Daftar Koordinat Geografis Titik-Titik Garis Pangkal Kepulauan Indonesia.
7. Keputusan Presiden No.8 Tahun 2017 tentang Persetujuan Visa Bebas Kunjungan.
8. Keputusan Presiden Nomor 12 Tahun 2014 tentang Pencabutan Surat Edaran Presidium Kabinet Ampera No. 10/U/Kep/10/1966 tanggal 5 Oktober 1966 perihal Penyempurnaan Ejaan Bahasa Indonesia yang disempurnakan, penggunaan simbol-simbol yang dipergunakan "Coret/Strip/Cross (Jukstik) menjadi simbol yang tidak komunikatif. Tergolong, dan untuk penyebutan negara Republik Rakyat Cina (bukan menjadi Republik Rakyat Tiongkok.
9. Undang-Undang Nomor 32 Tahun 2014 tentang Kelautan.

Rujukan

A. Batas Laut Wilayah (Territorial)

1. Undang-Undang Nomor 3 Tahun 1971 tentang Perjanjian Antara Republik Indonesia dan Malaysia tentang Penetapan Garis Batas Laut Wilayah Kedua Negara di Selat Malaka.
2. Undang-Undang Nomor 4 Tahun 1973 tentang Perjanjian Antara Indonesia dan Australia Mengenai Garis-garis Batas Tertentu antara Indonesia - Papua New Guinea.
3. Undang-Undang Nomor 7 Tahun 1973 tentang Perjanjian Antara Indonesia dan Singapura tentang Penetapan Garis Batas Laut Wilayah Kedua Negara di Selat Singapura.
4. Undang-Undang Nomor 4 Tahun 20 ID tentang Perjanjian antara Republik Indonesia dan Republik Singapura tentang Penetapan Garis Batas Laut Wilayah Kedua Negara di Bagian Timur Laut Singapura.
5. Undang-Undang Nomor 7 Tahun 2017 tentang Perjanjian antara Republik Indonesia dan Republik Singapura tentang Penetapan Garis Batas Laut Wilayah Kedua Negara di bagian Timur Laut Singapura.

B. Batas Wilayah Tumbuka

1. Undang-Undang Nomor 18 Tahun 2007 tentang Perjanjian antara Pemerintah Republik Indonesia dan Pemerintah Republik Demokratik Timor-Leste tentang Penetapan Garis Batas Darat.
2. Keputusan Presiden Nomor 78 Tahun 1999 tentang Pengesahan Agreement between the Government of the Republic of Indonesia and the Government of Malaysia relating to the Delimitation of the Territorial Sea Boundary in the Strait of Malacca and the Agreement between the Government of the Republic of Indonesia and the Government of Malaysia relating to the Delimitation of the Territorial Sea Boundary in the Strait of Malacca and the Agreement between the Government of the Republic of Indonesia and the Government of Malaysia relating to the Delimitation of the Territorial Sea Boundary in the Strait of Malacca.
3. Keputusan Presiden Nomor 42 Tahun 1971 tentang Persetujuan antara Pemerintah Republik Indonesia dan Pemerintah Commonwealth Australia Mengenai Batas Dasar Laut Tertentu.
4. Keputusan Presiden Nomor 66 Tahun 1972 tentang Persetujuan antara Pemerintah Republik Indonesia, Pemerintah Malaysia, dan Pemerintah Kerajaan Thailand tentang Penetapan Garis-garis Batas Landas Kontinen Dengan Utara Selat Malaka
5. Keputusan Presiden Nomor 20 Tahun 1969 tentang Persetujuan antara Pemerintah Republik Indonesia dan Pemerintah Kerajaan Thailand tentang Penetapan Suatu Garis Batas Landas Kontinen Antara Kedua Negara di Bagian Utara Selat Malaka dan Laut Andaman.
6. Keputusan Presiden Nomor 89 Tahun 1982 tentang Persetujuan antara Pemerintah Republik Indonesia dan Pemerintah Commonwealth Australia Mengenai Batas-batas Dasar Laut Tertentu di Wilayah Laut Timor dan Arafuru.
7. Keputusan Presiden Nomor 51 Tahun 1974 tentang Persetujuan antara Pemerintah Republik Indonesia dan Pemerintah Republik India tentang Penetapan Batas Dasar Landas Kontinen antara Kedua Negara.
8. Keputusan Presiden Nomor 26 Tahun 1977 tentang Persetujuan antara Pemerintah Australia Mengenai Garis-garis Batas Tertentu antara Indonesia dan Papua Nugini yang Ditandatangani di Jakarta pada tanggal 13 Desember 1976.
9. Keputusan Presiden Nomor 21 Tahun 1997 tentang Persetujuan antara Pemerintah Republik Indonesia dan Pemerintah Kerajaan Thailand tentang Penetapan Suatu Garis Batas Dasar Laut antara Kedua Negara di Laut Andaman.
10. Keputusan Presiden Nomor 1 Tahun 1996 tentang Pengesahan United Nations Convention on the Law of the Sea, 1982 (Konvensi Perserikatan Bangsa-Bangsa tentang Hukum Laut 1982).
11. Keputusan Presiden Nomor 7 Tahun 1996 tentang Perjanjian antara Pemerintah Republik Indonesia dan Pemerintah Republik India mengenai Penetapan Batas Dasar Laut antara Kedua Negara di Laut Andaman dan Samudera Hindia.
12. Keputusan Presiden Nomor 31 Tahun 1982 tentang Perjanjian antara Pemerintah Republik Indonesia, Pemerintah Republik India, dan Pemerintah Kerajaan Thailand tentang Penetapan Tiga Garis Batas dan Penetapan Garis Batas Kerja Negara di Laut Andaman.
13. Keputusan Presiden Nomor 21 Tahun 1982 tentang Persetujuan Kerja Perundingan antara Pemerintah Republik Indonesia dengan Pemerintah Malaysia, Pemerintah Republik India dan Pemerintah Kerajaan Thailand tentang Batas-Batas Wilayah antara Republik Indonesia dan Papua Nugini dan Penjelasan tentang Kebuntuan Geografis.
14. Memorandum Saling Pengertian antara Pemerintah Republik Indonesia dan Pemerintah Australia Mengenai Implementasi Ketentuan-Ketentuan Perjanjian Tertentu Antara Kedua Negara.
15. Perjanjian antara Pemerintah Republik Indonesia dan Pemerintah Australia tentang Penetapan Suatu Zona Ekonomi Eksklusif dan Batas-batas Landas Kontinen (ditandatangani tanggal 14 Maret 1997).
16. Keputusan Presiden Nomor 109 Tahun 2001 tentang Penetapan Batas Landas Kontinen Republik Indonesia dan Pemerintah Republik Filipina mengenai Penetapan Batas Zona Ekonomi Eksklusif Tertentu.
17. Submission by the Republic of Indonesia to the Commission on the Limits of the Continental Shelf in Respect to the Submission made by Indonesia in respect of the area North West of Sumatran 16 June 2008 (Rekomendasi Komisi Batas Landas Kontinen tentang usulan/ yang disampaikan oleh Pemerintah Indonesia mengenai Area Sebelah Barat Laut Sumatra 16 Juni

KITLV

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Royal Netherlands Institute of Southeast Asian and Caribbean Studies

In Indonesia, and elsewhere in Southeast Asia, debt long played a central role in the maintenance of social and political order. Although the societies of precolonial Southeast Asia were complex, hierarchical, and in many cases encompassed large areas and populations, they featured neither the elaborate system of hereditary castes which underpinned Indian civilization, nor the strong bureaucratic state, cohesive patrilineal clans, and ethic of filial piety which gave China its unity and stability. Instead, social integration and political legitimation in Southeast Asia rested to a large extent on obligations and dependencies created by various kinds of debt: debt to kinsmen, debt to neighbours, and above all, debt to superiors.

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